The nonprofit sector in the Netherlands

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Ary Burger and Paul Dekker

with Tymen van der Ploeg and Wino van Veen

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FOREWORD AND ACKNOWLEDGEMENTS

This working paper is a result of Dutch research for the Johns Hopkins Comparative Nonprofit Sector Project [http://www.jhu.edu/~cnp/] carried out by the Social and Cultural Planning Office (SCP) [http://www.scp.nl/] and associates from Erasmus University Rotterdam (Peter Hupe, Lucas Meijs) and Vrije Universiteit Amsterdam (Tymen van der Ploeg, Wino van Veen and Theo Schuyt). Other publications about the Netherlands as part of this project include the following:

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- Vic Veldheer and Ary Burger. *History of the nonprofit sector in The Netherlands*. Baltimore: Johns Hopkins University, 1999 (CNP WP No. 35).
- Lester M. Salamon, Helmut K. Anheier and Associates. *The Emerging Sector Revisited: A Summary Revised Estimates*. Baltimore: Johns Hopkins University, 1999.
- Lester M. Salamon, Helmut K. Anheier, Regina List, Stefan Toepler, S. Wojciech Sokolowski, and Associates. *Global Civil Society: Dimensions of the Nonprofit Sector*. Baltimore: Johns Hopkins University, 1999.
- Peter L. Hupe and Lucas C.P.M. Meijs (with Marianne H. Vorthoren). *Hybrid Governance the impact of the nonprofit sector in the Netherlands*. The Hague: Social and Cultural Planning Office, 2001.
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This working paper is the first version of the Dutch contribution to a final international comparative publication about the second phase of the Johns Hopkins Comparative Nonprofit Sector Project (working title: 'Civil Society in the Advanced Democracies'). This publication may take a while and could require a more concise presentation of national results. For this reason SCP is publishing this text at the same time as the concluding Dutch publication *'Noch markt, noch staat'*.

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Ary Burger and Paul Dekker

INTRODUCTION

This paper aims to provide an analytical description of the nonprofit sector in the Netherlands. We will review its historical and legal background, examine its treatment and definition, and chart the sector's contributions to the Dutch economy and society. The nonprofit sector is not a well established nor a clearly defined term in the Netherlands; anyone using the term is expected to indicate more precisely what he means. The attribute nonprofit (not translated in Dutch), however, is commonly used. Nonprofit organizations are essentially defined in legal terms. They are legally not allowed to distribute profits. Private organizations are divided into two categories: for-profit (business) and nonprofit or not-for-profit. The term nonprofit generally refers to organizations in the areas of health, culture, the arts and social services, as well as to special interest groups, trade unions, sports clubs, and organizations dealing with humanitarian, human rights and other social or public interest issues.

Identifying the sector

This section will deal with the most current terms used to depict segments and aspects of the nonprofit sector. Private nonprofit distributing organizations in the area between the state agencies and commercial companies have several labels in the Netherlands. The major terms generally depict different aspects or sections of nonprofit organizations, but also overlap to some degree.

Perhaps the broadest and oldest term is 'particulier initiatief' (private (non-governmental) initiative), or 'PI'. This term refers to groups of citizens joined together in voluntary associations in pursuing issues that supersede individual interests. The term fits most organizations in the nonprofit sector. The same term is sometimes also used to refer to the private sector (business).¹

The term 'maatschappelijk middenveld' ('societal midfield') depicts all kinds of organizations between the individual citizen and the state. In a very broad sense it encompasses the business sector (although that is very unusual), as well as a variety of organizations that provide services to the public (sometimes including independent state agencies, such as public universities), interest groups, and hobby and sports clubs and other voluntary associations.

The ambiguity of the term 'private initiative' may have facilitated compromise in the 'privatization' policies of the coalition cabinets of Christian Democrats and (right-wing) Liberals in the 1980s. Both parties supported the dissolution of state holdings (a minor sector in the Dutch economy), and the reduction of public regulation and public expenditure. To achieve the latter goals, the Liberals focused on restoring markets and advancing commercial initiatives, and the Christian Democrats advocated a revival of the old nonprofit private initiative and the development of new citizen initiatives (cf. contributions in Kreukels and Simonis, 1988).

Traditionally, the term has been applied to 'pillarized' (denominational) organizations in particular, with the exception of the political parties. Today the term is reserved for interest and advocacy organizations, and it focuses on their 'vertical' mediating functions between the state and (groups of) citizens. On the one hand, the organizations in the societal midfield represent the interests of their specific group at government level and try to influence public policymaking. On the other hand, many of the organizations are of service to the government, for instance by implementing and monitoring policies.

The term 'gesubsidieerde en gepremieerde sector' (subsidized and premium-receiving sector), abbreviated as 'g&g-sector', is defined in financial terms. It refers to organizations that receive government subsidies or premiums from the compulsory national social security and health insurance programmes. The term also accommodates large parts of the nonprofit sector since many private organizations receive some form of government subsidies or payments from the social or health care funds.

The major groups in the nonprofit sector, education, health care and social services are also considered a part of the *collective sector* and of the *quaternary sector*. The collective sector is defined financially by the source of the expenditures: taxes and social insurance premiums. Besides the 'g&g-sector' it comprises government and - by far the largest part - transfer payments such as state pensions, unemployment benefits and student grants. The quaternary sector is considered to include all noncommercial services, both public and private nonprofit activities. However, in practice it consists of those categories of the standard industrial classification that are wholly or largely financed from public resources: government, public transport, education, health care, social security agencies, etcetera. Thus the quaternary sector includes all government agencies and almost all organizations in the 'g&g-sector', but not their transfer payments. The Social and Cultural Planning Office (SCP) has since 1978 monitored the development of consumption, employment and costs of quaternary services. The focus has always been on the collectively financed services. We will return to these sectoral divisions later on in this paper, after having elaborated our own definition of the nonprofit sector.

In addition to the local or home-grown terms, some other 'imported' terms can be mentioned briefly. 'NGO' (Non-governmental organization) is reserved for nonprofits in the field of international cooperation and development aid. 'Intermediary organizations' is used as a sociological equivalent for what would normally be called 'organizations of the societal midfield'. 'Third sector' and 'independent sector' – the latter term only in English – are sometimes used. The words refer to the same organizations as the term 'nonprofit sector', but they have fewer economic connotations. Conjugations with 'voluntary' are not in circulation; 'volunteers' organizations' are organizations whose core business is volunteering (providing services by volunteers, mediating between demand and supply of voluntary work). The term 'civil society' has become quite popular as an alternative for 'societal midfield'. We will return to this term at the end of this paper.

Many terms have been presented in this section to depict (parts of) the Dutch nonprofit sector. To round off, we give a few examples for a better understanding of how the terms are used. A state holding is part of the public sector, but not of the quaternary and collective sector. A Catholic primary school belongs to the collective and quaternary sector, but not to the public sector. State grants for students are collective expenditures, but as payments they do not fit in the quaternary/market division of production or employment sectors (but the 'independent agency' that distributes the grants is part of the quaternary sector), nor in the legal public/private division of organizations. However, the position of the agency is disputable under these terms. As regards the two most important Dutch 'in-between' terms, the Catholic primary school definitely belongs to the ' $g\&g\ sector$ ' (the state holding definitely does not and the independent agency is disputable again) and might be considered as part of the maatschappelijk middenveld. The latter term is used to focus on intermediary roles of organizations, especially nonprofits. The school is in the societal midfield because it belongs to a cluster of organizations that express religious pluralism and present interests, because it links individual children and parents to the larger community, or because it helps the government to register needs in the population. But the term does not apply to the school as an employer or as a supplier of services.

How does the Dutch nonprofit sector measure up to the comparative definition of the international project? Under the structural/operational definition of the Comparative Nonprofit Sector Project organizations must meet five criteria to be considered part of the nonprofit sector. To be included organizations need to be (1) organized, i.e. institutionalized to some extent; (2) private, that is institutionally apart from government; (3) self-governing; (4) non-profit-distributing; and (5) voluntary, i.e. involving some meaningful degree of voluntary participation.

Organized

The first criterion of the structural/operational definition, which requires that organizations have some kind of institutional reality, applies to the vast majority of Dutch nonprofit organizations. Naturally, the legal form of association or foundation itself guarantees some kind of institutional structure for nonprofit organizations. This is not to say that there are not informal, ad hoc and/or temporary groups in the Netherlands, but these are small in number and small in activities. The exclusion of these groups under the comparative definition will hardly affect the income and employment estimates of the Dutch nonprofit sector.

The second criterion stipulates that organizations must be private and institutionally separate from government. Since most nonprofits in the Netherlands are either associations or foundations, the legal entity itself separates them from government. Public contributions do not diminish the private character of organizations, even if the organizations are fully financed by public funds and distribute 'public goods'.

However, not all foundations are truly and completely private. Some private bodies have been set up by government to perform specific tasks, for example the Central Driving Licence Issuing and Testing Authority (*CBR*) and the World Radio Broadcasting Service (*Wereldomroep*). The main task of the CBR is to test the skills of candidate drivers. It is the sole agency in the Netherlands with the power to issuing driving licences. The *Wereldomroep* is known especially for its radio broadcasts aimed at Dutch people staying abroad permanently or temporarily as tourists. The simple fact that these organizations have been set up by government is not sufficient to label them as government foundations. What is important is how autonomous these foundations are. The management boards are theoretically independent, but in practice the autonomy varies between government foundations. We consider foundations to be government foundations when at least half the board is appointed by government (Munneke, 1983, vol. II, 5-6). Government foundations will be excluded from our definition of the Dutch nonprofit sector.

Non-profit-distributing

The nonprofit criterion is self-evident since most organizations in the nonprofit sector have a legal basis as foundations and associations. This legal basis does not permit the distribution of profits to their members, founders or governors. Instead, any operational surplus must be retained and dedicated to the object of the organization. The nondistribution constraint only applies to the distribution of profits that are made by the organization itself. The legal form of the foundation is however also used by pension funds, for which the law makes an exception regarding the distribution constraint. The foundation form is also used by administration and trust offices. In these cases the foundations pay the profits due on the shares, which they administer, to their clients. These types of foundations are accepted as not breaking the nonprofit distribution constraint, because the object of these organizations is not to distribute profits, but to administer shares in the interests of their clients. Thus, these organizations operate within the Dutch law on foundations. Nevertheless, we find that these organizations fail to meet the nonprofit-distributing constraint of the comparative definition. The same applies to cooperatives and mutual societies. Since one could argue that cooperatives and mutual societies do distribute profits, if they generate any, these organizations do not meet the non-profit-distributing criterion.

Self-governing

The self-governing criterion stipulates that nonprofit organizations must have their own internal governance procedures and a meaningful degree of autonomy. The self-governing criterion is problematic in a number of cases, in particular for core institutions of the Dutch welfare state. We shall illustrate this point here with the historical example of education (see further Sections 11.4 and 3.1.4).

The delivery of education is largely in private hands, but financed almost entirely from public resources (cf. Section 3.1.4). With the financial flows to the private nonprofit organizations comes an extensive set of regulations, constraints, directives, that limit their autonomy. Private schools have to conform to often detailed prescripts regarding

matters such as the number, credentials and salaries of teachers, the construction and maintenance of buildings (Janssen 1995, Kreuzen 1995). However, with regard to curriculum and personnel, private schools have considerable freedom. In choosing new staff members private schools can use criteria such as religion and lifestyle.² In educational matters, private primary schools enjoy more freedom than private secondary schools. Primary schools are tied only to certain attainment targets that leave them the freedom to choose teaching methods, materials and subjects. Secondary schools are free to choose the text books and programme in preparing their pupils for the final examinations. Unlike primary schools, they are not free to choose the number of hours taught per subject. The government keeps an eye on the quality of education by setting the final examinations, and through the inspectorate. Evidently, the autonomy of individual schools is often very limited, but it should be kept in mind that we are not dealing with organizations that passively undergo directives from government; there is a two-way relationship. Policy is designed after extensive consultations with representatives of the nonprofits. The various denominational and sectoral 'umbrella organizations' of the nonprofits have at least consultative powers and their actual influence generally exceeds their formal advisory competency because the government needs their authority and administrative cooperation for an effective implementation of public policies.

The continuing autonomy of individual school boards, as well as the involvement of their representatives in policymaking processes, supports the inclusion of schools within the structural/operational definition.

The regime of private delivery and public funding also applies to other major nonprofit fields such as health care and welfare. Nonprofits in these sectors cannot refer to an article in the Dutch constitution about the freedom of education and the equal financial treatment of public and private schools, but they have other sources of autonomy, such as the ideology of subsidiarity, professional liberty, dealings with insurance companies, and private contributions. Self-governance of these organizations is continuously contested, but it is still meaningful in our view. Since at least the end of the nineteenth century the interplay between private initiatives and government has been among the more interesting themes of the project.

Voluntary

Problems may also occur in finding a 'meaningful voluntary input', the fifth criterion of the structural/operational definition.

² This freedom is constrained by general considerations of equity, and by the stipulation that schools must try to hire teachers who have lost their jobs at other schools, even if they were previously employed at a public school, a private school of another denomination, or if they adhere to a different religion. The reason for this is that teachers who have lost their jobs receive benefit from the Ministry of Education, which has a vested interest in ceasing benefit payments where possible.

The nonprofit sector in the Netherlands is highly professionalised; in many nonprofit organizations voluntary input may only be found at board level, and even at that level voluntariness is sometimes debatable, since in some nonprofit organizations, the board members are representatives of other organizations for whom representation is an integral part of their job.

In determining the applicability of the voluntary criterion, we focus attention on the voluntariness of membership and (financial) contributions to the organization. For instance, the organizations that administer the workers' insurance programmes are private nonprofit bodies (trade associations). However, they do not meet the voluntary criterion. The boards of these trade associations consist of representatives of trade unions and employers' organizations, whose voluntariness we may question. Moreover, the contributions to the programmes are far from voluntarily: all workers are obliged to pay insurance contributions, which their employers, who are also obliged to pay contributions, deduct from their gross income.

In conclusion

From the above, we can conclude that the comparative definition applies rather well to the Dutch situation. The definition includes most organizations that we believe most people in the Netherlands would associate with the nonprofit sector. Some exclusions may however need further clarification.

At the interface with government, some public law institutions may be confused with private nonprofit organizations. Public law organizations perform a wide range of activities. They include bodies such as provinces, municipalities, district water boards, public or state colleges and universities, but also industry boards, commodity boards, and some organizations that have been given specific tasks in the administration of social security and health care arrangements, such as the Social Insurance Bank (Sociale Verzekeringsbank) and the Health Insurance Funds Council (Ziekenfondsraad). The Social and Economic Council (Sociaal-Economische Raad), which we will discuss further in the historical section (1.1.4), is also a public law institution. Confusion may arise regarding the commodity and industry boards, and organizations charged with specific tasks. Although they have public competences, they are not a part of the governmental apparatus. These organizations belong to the corporatist structures that were set up shortly after World War II. Most of them are jointly managed by representatives of trade unions and employers' organizations, while in others the government also appoints board members. From a legal perspective these are public law organizations, despite the considerable private input, and are therefore not taken into account here.

The structural/operational definition also excludes private organizations active in the field of social and health insurance programmes. Some would be inclined to consider these organizations to be part of the nonprofit sector. However, the social security institutions were set up by law and are basically corporatist structures. Board members from employer organizations and trade unions are definitely not volunteers and the

statutory insurance contributions also do not help to meet the criterion of voluntary input. Moreover, the criterion of self-governance is evidently not met: government not only fixes the premium rates, it also changes the conditions of programmes, dictates implementation rules and can even decide to dissolve the social security agencies altogether.

Cooperative and mutual societies can be seen as borderline cases between for-profit and nonprofit organizations. The aim of cooperatives is not to make profits, but to diminish the costs of the economic activities of its members. The purpose of mutual societies is to spread risks among its members. Membership is automatically linked to insurance contracts with the society. These organizations may have an (unintentional) operational surplus, but that surplus is ploughed back into the organization by reducing the contributions of its members. Thus, strictly speaking, these organizations do distribute profits, if any are generated. Therefore, mutual societies and cooperatives do not meet the non-distribution constraint of the comparative definition. Mutual societies have a long history that started with unemployment and burial funds set up by members of the crafts guilds. Nowadays there are only a few societies left, and they are increasingly indistinguishable from for-profit insurance companies. In fact, some of the largest mutuals are joined with for-profit insurers in a single holding company owned by a cooperative.³

To round off the definitional issues, Figure 1 relates the structural/operational concept of de nonprofit sector to the three most relevant dual concepts that are used in the Netherlands to depict (parts of) the nonprofit sector.

Figure 1 The nonprofit sector in major areas of the Dutch economy

focus	nonprofit sector			
financial	collective			private
employment	quaternary			market
legal	public			private

Although the number of cooperatives continues to fall, they are still very significant in economic terms. Today cooperatives occupy a strong position in the agro-industry: the largest dairy firms and one of the largest banks are cooperatives. In order to sketch the overall size of the social economy in the Netherlands, we have made a rough estimate of the operating expenditures (turnover) and paid employment of mutuals and cooperatives. To illustrate the size of cooperatives and mutuals combined we will compare their operating expenditures and employment to that in the nonprofit sector. Operating expenditures of mutuals and cooperatives combined exceed that of the nonprofit sector by about 20%. Employment on the other hand is considerably lower and only amounts to about 15% of nonprofit employment. So the operating expenditures of the social economy in the Netherlands are almost equally divided between nonprofits on the one hand and cooperatives and mutuals on the other. In terms of employment however, the nonprofit sector provides the bulk of jobs.

According to the Comparative Nonprofit Sector Project, the nonprofit sector is part of the Dutch quaternary sector (the other part of the non-commercial service sector is government), part of the (legal) private sector (the other part is for-profit), and crosses the border between the collective sector (as regards the spending of tax and social insurance premium income) and the (financial) private sector (contributions from individuals, payments from private insurances, gifts, etc.).

Structure of the paper and main findings

In Section 1.1 we outline the history and development of the nonprofit sector in the Netherlands, and in Section 1.2 its legal aspects. The historical and legal background can provide a more meaningful context for the data on the size and scope which are the topic of the central part of the paper. Sections 2.1 and 2.2 discuss the quantitative data on size, structure and financing of the Dutch nonprofit sector in 1995. Sections 2.4 and 2.5 place the sector in a short-term time perspective and a cross-national comparative perspective, respectively. Section 2.6 looks in more detail at the resources from private giving and volunteering. This part concludes in Section 2.7 with a discussion of the relevant body of theories that attempt to explain the size, scope and funding. Before we draw our final conclusions in Section 4, we explore the sector's political and policy environment (Section 3.1), government policies towards the sector (Section 3.2), as well as some challenges and options for the sector in the near future (Section 3.3).

As an appetizer and a guide for the reader, we will summarize the main findings of the paper. The most important one in a comparative perspective is of course that the Netherlands has the largest nonprofit sector of all countries studied in the Johns Hopkins project (Section 2.4). The Dutch nonprofit sector provides about 669,000 full-time equivalent jobs (12.9% of non-agricultural paid employment). This figure is two-anda-half times the overall 22-country average of 4.8%. The nonprofit share of total employment is almost twice as high in the Netherlands as the average for Western Europe and other developed countries, which stands at 7%. Next to paid employment, the nonprofit sector also attracts a lot of volunteering. The amount of volunteer efforts represents the equivalent of over 400,000 fte jobs, or 7.5% of total paid employment. Nonprofit expenditures amount to 15.5% of Gross Domestic Product, and the sector generates no less than 10.2% of national income (Section 2.1.2). Nonprofits play a large role in providing welfare state services: for instance 97% of residents in homes for the elderly, 75% of the pupils of primary and secondary schools, and 41% of the visitors of museums make use of nonprofit institutions (Section 2.1.3).

Public funds constitute the largest share of nonprofit revenues. The major role of the private provision of public services is one of the distinguishing features of the Dutch welfare state. There are large areas of welfare services where the government has an interest in the availability and financing but not in the actual delivery. Government policy is of particular importance to nonprofits active in education, health care and social services; in these areas the largest part of the services are delivered by nonprofits,

but largely funded by government and third-party payments. Government also sets the main rules for the entire field, particularly with respect to capacities and costs. The Dutch government does not have an explicit, coherent or systematic policy towards nonprofit organizations *per se*. The nonprofit status is seldom an issue. However, in certain fields of welfare services, nonprofits are so common or so important that any policy in that area might be seen as a policy on the nonprofit sector (Section 3.2).

Subsidiarity has been the guiding principle behind these government policies since long. The principle is deeply rooted in a history of private initiatives, that were set up mainly in a pillarized framework of ideological blocs from the end of the nineteenth century on (Section 1.1). The strong tradition of private initiatives, the ideology of subsidiarity and also the availability of relatively undemanding legal options (Section 1.2) contribute to a positive environment for nonprofits. Nonprofits are so easily accepted, so 'normal', that they are often difficult to distinguish from other organizations. This will become more difficult because of government policies in recent decades which create independent bodies out of the civil service on the one hand, and advance the commercialisation of nonprofits on the other (Section 3.2). Elements of nonprofit and commercial service delivery even get mixed in single organizations and lead to serious problems of identity and accountability. It seems questionable whether ideas about 'civil society' or new citizens' initiatives are helpful in dealing with these problems (Section 3.3).

The Netherlands is a goldmine for nonprofit theorists. The development of the Dutch sector provides evidence for a variety of theoretical notions as regards the role of the state, religion or religious diversity, social entrepreneurs, corporatism and policy cultures (Section 2.4). However, the existence of a Dutch nonprofit sector as an object of theorizing cannot be taken for granted. As already asserted, the concept of a unitary nonprofit sector has always been problematic in this country, but present trends may even make the identification of single clusters of nonprofits with interesting common features impossible (Section 4).

1 BACKGROUND

1.1 Historical development

As in many Western European countries, the history of the nonprofit sector in the Netherlands can be traced back to medieval times. Charitable activities by churches and congregations as well as solidarity schemes run by guilds provided the institutional roots of the nonprofit sector (Veldheer/Burger, 1999). Crucial for the understanding of the strong growth of the sector in the twentieth century is the process of pillarization and the close ties between the private nonprofit agencies and the government or collective sector. Pillarization is the vertical segregation of various population groups along religious or political lines. One of its important consequences has been the collective financing of private agencies, which started with state financial support for denominational schools. The scheme later spread to other services as well, and as a result private organizations provide many services in education, health care and welfare, but are financed from public funds.

One of the most characteristic features of the Dutch welfare state is the fact that private nonprofit organizations deliver many collectively funded services. The direct role of the state in the delivery of education, health care, welfare and social security services is limited. In the area of education only about 30% of primary and secondary pupils receive their education at public (i.e. state) schools. The others attend private schools, which the Ministry of Education finances almost completely. Private nonprofit organizations also dominate the health care and welfare fields. The service-providing role of government is very small, but its financial role is significant, especially in welfare work. Health care is largely funded through insurance contributions, which consist of compulsory contributions to the health insurance funds and contributions to private for-profit insurance companies (if a person's wages are above a certain threshold).

Of the major social security arrangements, only one benefit (national assistance) is directly distributed and financed by government. Non-governmental institutions administer most social security arrangements. The trade associations in each branch of industry, which are corporatist organizations jointly managed by representatives from trade unions and employers' organizations, administer the workers' insurance programmes for sickness, unemployment and disability. The workers and employers pay the contributions. The social security bank (*SVB*) manages retirement benefits, which are financed by contributions from workers. Here, as for some other organizations, the government appoints one third of the board members. The government appointees do not take their seats on behalf of government or as representatives of government, but as independent members, i.e. not associated with labour or capital. Thus, the actual delivery and administration of many welfare state services rely on private nonprofit and employers' and employees' organizations. The financial sources for these services, however, come from compulsory contributions by workers and employers or directly from government.

1.1.1 Constitutional basics

The small direct role of central government is deeply rooted in Dutch history. From the earliest days of its independence, the Netherlands has never had a strong centralist state. This is perhaps not surprising given that the Netherlands as a country was the result of an uprising against the centralist regime of the Habsburg Monarchy. Halfway through the sixteenth century, seven provinces formed an alliance to fight for greater religious, economic and political freedom. The federation that later became the Republic of the United Provinces (or Dutch Republic) had a strong decentralist character. Local and regional autonomy remained fully intact under the federation. The federal structure ended with the Batavian Republic and the subsequent French occupation during the Napoleonic era (1794-1813). From that time on, the Netherlands has remained a unitary state. However, the provincial and local autonomy never ended. Early in the nineteenth century, and conclusively in the reform of the Constitution in 1848, an important degree of autonomy was given to provinces and municipalities. Mainly as a result of the short interval of the Batavian Republic and the French occupation, the Netherlands had developed from a loose federation to a decentralized unitary state. The Napoleonic period also marked the end of the republican era, and the return of the monarchy. After abjuring the Catholic kings of Spain in the sixteenth century, the country remained a republic for more than two hundred years. And after enduring the royal rule of Napoleon's brother Louis, King of Holland, for four years (1806-1810), the Dutch welcomed the Protestant King William I of Orange in 1813. Until then the princes of the House of Orange had acted as Lieutenants in the Dutch Republic. The very first Lieutenant, Prince William of Orange, was the main leader in the war of independence against Spain until his assassination in 1584. Between 1848 and 1868 the country experienced a smooth and quiet transition into a parliamentary monarchy with a limited role for the monarch. Full democracy was achieved early in the twentieth century with universal suffrage for men (1917) and women (1919).

1.1.2 The primacy of philanthropy in the pre-modern age

In pre-modern times philanthropy was predominantly a matter for the Church and a few wealthy individuals. The role of (local) government was limited. Pre-modern nonprofits operated mainly in the classical fields of nonprofit action: poor relief, health care and education. These functions were often combined. The Church played the major part in all areas. For instance, many hospitals in the Netherlands have a history as Church institutions. Although the role of (local) government was limited, it was certainly not insignificant. The limited role was a result of a self-imposed constraint; it was felt that government should only play a subsidiary role. In poor relief, for instance, the local government institutions primarily helped those whom the Church or other private institutions did not help (Holthoon, 1985a; Van Loo, 1987).⁵

⁴ Excellent introductions in English to the history of the Netherlands are Israel (1995) and Kossmann (1978).

It is perhaps a little ironic that, today, the roles have been reversed. The growth of the welfare state has reduced the role of the Church in helping the needy to merely a subsidiary role. As a consequence, the Church now focuses on those who cannot be helped (further) or whom the collective arrangements do not reach: the chronically poor, homeless, drug addicts and illegal residents.

Besides the Church and local government, guilds were also active in poor relief. They provided some support in cases of sickness, old age and death. It should however be remembered that the coverage of guild support was limited to urban areas and members only. Moreover, social solidarity was not the main area of activity of guilds (Prak, 1994).

The institutional setup of the classical areas of nonprofit action, poor relief, health care and education, underwent few fundamental changes until the nineteenth century. The most notable development has been the increasing involvement of the state in the delivery of these services. The state did not take the actual delivery into its own hands, but set rules for those who wanted to supply these services, and became financially more involved with education (willingly) and poor relief (unwillingly).

In education, for instance, the state set guidelines or rules with respect to school buildings, the qualifications of the teaching staff, the number of pupils per teacher and the like, which applied to both public and private schools (Boekholt, 1985). Public schools were actually poor schools, which were intended for children whose parents could not afford to send them to the qualitatively better private schools. Public schools were known for their low educational standards, overcrowded classrooms and underpaid teachers. Government tried to remedy the situation, especially in the second half of the nineteenth century, by spending more money on public education.

In poor relief, the financial the role of government also increased, but only marginally. The major concern was to cut down government expenditure on poor relief. The Poor Acts of 1854 and 1912 were designed to meet that end. The functional division between the private institutions and government underwent no changes. Both Acts explicitly stated that poor relief should primarily be a matter of private charity (Van der Voort, 1994: 124-130). The abolition of guilds in the first decades of the nineteenth century strengthened the role of the Church and local government in tackling poverty (Van Genabeek, 1994).

1.1.3 Pillarization

Very important for the shape and size of the Dutch nonprofit sector was the 'pillarization' process, which started in the second half of the nineteenth century (Cf. Lijphart, 1968; Bax, 1988). Pillarization (*Verzuiling* in Dutch) is the process whereby groups of citizens organise themselves along religious and political lines. Pillarization took place in all socioeconomic, political and cultural spheres. The result was a great variety of denominational organizations such as political parties, trade unions, housing associations, newspapers, broadcasting associations, but also schools, hospitals and sports clubs.

How many pillars constituted Dutch society is still a matter of debate and depends largely on the definition of a pillar. There were at least two and there may have been up to five pillars. Catholic organizations definitely formed the most encompassing and homogeneous pillar. The existence of a Protestant or Calvinist pillar has also rarely been contested, but this pillar remained more diverse, probably because it was never controlled by a single hierarchical Church. Separate networks of organizations developed, from loose liberal Protestant to several tighter orthodox clusters. As regards the major Protestant churches, the Calvinists became more pillarized than the Dutch

Reformed, the largest but also quite heterogeneous Protestant denomination. Whether the liberals and the socialists had formed a pillar of their own is still a matter of discussion. Some claim that these groups had formed too few organizations in too small areas to deserve the label of a pillar. Others, who consider full vertical integration the most distinctive characteristic of a pillar – that is organization along the lines of religion or ideology that cuts through the social and economic stratification – argue that the socialist and liberal pillars were not really pillars because the first lacked the upper classes while the latter failed to attract the lower classes. Liberal organizations in particular were often primarily non-religious. They became pillarized through selective membership and inter-organizational links, not because of a positive ideological identity. It could be said that, because of the encompassing denominational segregation in many areas, socialist and liberal organizations in fact functioned as pillars too (Van Holthoon 1988; cf. Middendorp 1991: 12-24).

Each pillar or denomination had its own newspapers, economic interest organizations and radio and television broadcasting association, but with respect to education the socialists and liberals were content with the public schools, while the Calvinists and Catholics wanted institutions of their own. Figure 2 provides a graphical representation of pillarization in its heyday in the second half of the 1950s, borrowed from one of the first Dutch studies of pillarization (Kruijt 1959). Two pillars, Catholicism and Protestantism, are based on religion, and 'pseudo-pillar' encompasses all nondenominational institutions, many of which can be subdivided into the smaller and weaker 'social-class pillars' of liberalism and socialism, but which also include non-pillarized state schools and general newspapers. The figure shows important differences between the denominations. The Calvinists are more strongly organized than the other denominations. And of those who are organized, large majorities of Calvinists and also of Catholics prefer organizations belonging to their own pillar, but this is not the case for the Dutch Reformed; many of these were attached to non-Protestant, neutral, liberal or socialist organizations.

One of the most prominent perspectives on the causes of pillarization considers the process the result of the emancipation of socially or economically deprived population groups. Pillarization was the road on which the Catholic minority, the Calvinists, and the working classes travelled to achieve emancipation or full citizenship. These three groups started the process, and the Dutch Reformed, the religious majority, and the liberals only formed pillarized organizations of their own primarily in response to the efforts of the three unprivileged groups.

⁶ We label the members of the 'Nederlands-Hervormde kerk' as Dutch Reformed, and the members of the 'Gereformeerde kerken in Nederland' as Calvinists. However, strictly speaking both Protestant denominations mentioned are Calvinist, as are most of the smaller (and more orthodox) Protestant churches which we do not deal with. The Calvinists were more orthodox than the Dutch Reformed. The creation of the 'Gereformeerde kerken in Nederland' in 1892 was the result of a merger of two groups that had seceded from the Dutch Reformed Church in 1834 and 1886.

⁷ For these and other perspectives, see Bax, 1988; Dekker and Ester, 1996; and Hoogenboom, 1996.

It is more than a coincidence that the existence of pillars is questioned for those denominational groups that formed the traditional political and economic elite.

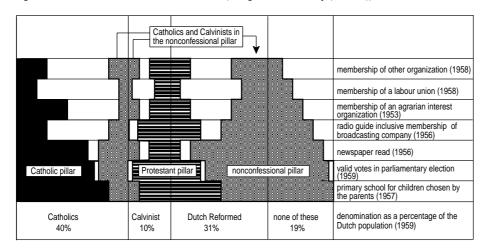


Figure 2 Pillarization in the Netherlands in the 1950s (abridged version of Kruijt (1959: 48))

Catholic (), Protestant (), and nonconfessional () schools / parties / newspapers / organizations | Non-organized (non-voters, non-readers, non-members); the rows present 100% of the relevant population

Other explanations for pillarization mentioned in the literature are social control and protection. The confessional elites in particular wanted to protect their fellow-believers from the vices of modernization and secularization. The social control perspective views pillarization as a deliberate attempt by traditional and new elites to sharpen the religious and political divisions in society in order to strengthen their own position.

It may well be argued that pillarization contained all three elements simultaneously: emancipation for socialist workers and for all Catholics and Calvinists (from lower to upper class), and social control by the elites of all denominations over their flock. Needless to say, different motives may have been dominant in different groups and individuals. The protection perspective is heavily associated with the Catholic church in the Netherlands, which strongly encouraged the creation of Catholic organizations in virtually every sphere of life. The clergy forbade parishioners to join profane or even religious non-Catholic organizations. As a result, a host of Catholic clubs were formed, not infrequently founded by clerics, in a wide range of areas, including sports and recreation. The clergy assigned a priest to each organization, if not already present, to ensure its Catholic character. The interference could be very far-reaching: one Catholic priest, who later became the bishop of Haarlem, sighed that (sadly) there were simply not enough priests to give every Catholic family daily spiritual guidance. (Rogier, 1978: 217)

Pillarization has not been an exclusively Dutch phenomenon. Depending on the definition of what constitutes a pillar, pillars can also be identified in other European societies. Hellemans (1990) discerned for instance Catholic, socialist and liberal pillars in Belgium, a communist pillar in France, communist and Catholic pillars in Italy, socialist and Catholic pillars in Austria and, before 1933, also in Germany, and socialist pillars in the Scandinavian countries. What seems typical of the Dutch situation is the degree, the coverage or the functioning of the pillarized structure. In the first place, the pillars were more than networks of like-minded people helping each other in various ways (Cf. De Rooy, 1990: 56). The pillars were a way of life: people stayed within the boundaries of their segment from the cradle to the grave. Secondly, pillarization affected the largest possible part of the population, if not the whole population. It also cut through socioeconomic differences and led to a vertical segmentation of society. This development stands in contrast to the more horizontal segregation, i.e. divisions along the lines of social and or economic class, found in some other countries. Thirdly, the pillars, and in particular their elites, recognized and respected each other. Since not a single denomination could ever claim a majority, they were perhaps more inclined to work together than to fight each other.

1.1.4 The impact of pillarization on society and the nonprofit sector Whatever the motives were, pillarization has had some major and long-lasting impacts on Dutch society, and not least on politics and policy. Despite the sharp divisions in society the Netherlands proved to be a stable and peaceful democracy. Open conflicts between the pillars were avoided and the political differences were resolved at the top level by the elites (Lijphart, 1968; Daalder, 1984). Due to the confessional trade unions, pillarization mitigated the traditional conflict between capital and labour.

If we measure their success through participation in government coalitions, the confessional parties were very successful. The Catholics have participated in almost every government since 1901. The Calvinists were especially successful in the first half of the twentieth century. Considering their relatively modest electoral support, they supplied a disproportionate number of cabinet ministers and prime ministers. The social democrats were clearly less successful as regards cabinet participation; until 1939 the other parties consciously kept them out of government. It was during the years of reconstruction after the Second World War, when they ruled with the Catholics for over a decade, that the social democrats were able to leave a mark on government policy.

An early landmark in government/denominational relations concerned the state funding of private denominational schools. In the first half of the nineteenth century, government claimed that the public schools had a general Christian character. Catholics, in particular, who regarded public schools as plainly Protestant in tenor, heavily disputed this claim. Government allowed the establishment of private schools, but initially provided no financial means for them. Later, however, it did gradually increase support for the public schools. When the liberal Kappeyne van de Capello proposed a law in 1878 that augmented government subsidies for public schools and laid down stricter conditions for private schools, he triggered a reaction that, according to some scholars, marked the start of the pillarization process (Van Holthoon, 1985b: 162). The Catholics and Calvinists, who rejected the idea of paying taxes for public schools and also paying

for private schools of their own, were adamant in rejecting the proposed law. Instead, they strove for equal treatment of public and private schools. Their struggle was initially rewarded with only a few small successes. From 1889 onwards, some minor expenditures of private schools were reimbursed by the government, but this was clearly not enough for the Catholics and the Calvinists. The further expansion of the compensations in 1901 and 1905 only seemed to strengthen their insistence on the full financing of their schools, which they finally achieved in 1920.

The schools issue created an important precedent: private denominational organizations should receive the same treatment as government institutions in terms of funding. This scheme was also adopted for a number of other services, such as health care, welfare work, housing and media. Nevertheless, the area of education has remained a special field, since the equal financial treatment of public and private education has been given a place in the Constitution.

The success of the pillarized parties is also reflected in the shape and content of socioeconomic policy. Social security legislation arrived late in the Netherlands. The first social security law in the Netherlands was the Workman's Compensation Act of 1901, about twenty years later than the world's very first social security law: the New Zealand Workman's Compensation Act of 1882 (Vrooman, 1995: 12). When it came, the role of government turned out to be limited and subsidiary. This was in line with the dominant ideologies of the pillars. The principle of subsidiarity, which guided the Catholics, and the principle of circles of sovereignty, which inspired the Calvinists, were in complete agreement on the role of government: government interference should be kept to a minimum. The liberals shared the view on the small role of government and, when not in government, they could rarely criticize the confessional governments on the issue of centralist policies. Instead, a corporatist setup was preferred. Organizations of workers and employers collaborating in trade associations were to deal with all the issues of industrial relations, including workers' insurance.

⁸ Both Catholic and Calvinist principles agreed on the responsibilities of the state and the independence of social groups. The Calvinist principle of circles of sovereignty is basically a plea for independence and self-determination of social units in society. The principal areas or circles of society, such as the family, business, education, the arts, churches, should not be subjected to the authority of the state, but govern themselves. This meant that the role of the state should be as small as possible and the role of the circles as large as possible. The sovereignty principle has a lot in common with the subsidiarity principle that the Catholics adhered. Contrary to religious matters where a strict top-down structure (culminating into the infallible Pope) is the rule, subsidiarity means that social and socioeconomic issues should be dealt with at the lowest possible levels, leading from family, neighbours, to community, church and ultimately to government. Thus, subsidiarity regards the state or public arrangements as a solution of last resort. We label the members of the 'Nederlands-Hervormde kerk' as Dutch Reformed, and the members of the 'Gereformeerde kerken in Nederland' as Calvinists. However, strictly speaking both Protestant denominations mentioned are Calvinist, as are most of the smaller (and more orthodox) Protestant churches which we do not deal with. The Calvinists were more orthodox than the Dutch Reformed. The creation of the 'Gereformeerde kerken in Nederland' in 1892 was the result of a merger of two groups that had seceded from the Dutch Reformed Church in 1834 and 1886.

The shape of the Dutch social security laws was inspired especially by the Calvinist views. Shortly before the First World War, the Calvinist Talma introduced the corporatist setup in proposed legislation for labour councils and sickness, old age and disability insurance. Although, his proposals met great resistance and his laws were never implemented, or only implemented later, they proved to be a model for later legislation (De Swaan, 1988: 212). Only the first interwar years showed an expansion in the coverage of the existing laws. The crisis of the 1930s provided no strong incentives to government to expand the social security legislation. Great debates were dedicated to workers' insurance for medical costs, at first heavily contested by the medical profession. Nevertheless, the law on health insurance funds with compulsory contribution from both workers and employers was finally adopted in 1941, with a little help from the German occupiers.

The growth of the welfare state after 1945 took place along denominational and corporatist lines. The social democrats, who formed coalitions with the Catholics for more than ten years, also preferred a corporatist setup over direct government control. Unlike their British ideological companions, their response to the economic horrors of the 1930s and the immediate postwar years of shortages was not nationalization but corporatist planning of the economy. Their perspective had much in common with the Catholic and Calvinist views on the subject; the main difference was that the social democrats saw a more important role for government. However, the other parties did not share the view on the bigger role of government, and in all legislation the role of government was limited in favour of that of trade unions and employers' organizations (Van Zanden and Griffiths, 1989: 206).

The postwar years witnessed an expansion in the number of corporatist structures. In 1945 a Labour Foundation (Stichting van de Arbeid) was set up as a direct result of discussions about the future of the country that pre-war Dutch political and social leaders had held during their imprisonment in World War II. In this bipartite body the central organizations of employers and employees negotiate with one another and, at least once a year, with the government. The main tangible result has been a number of central agreements in which basically wage restraints were exchanged for promises of investment and improvements in social security and welfare state facilities. Besides the existing trade associations, product and industry boards were also created as public law institutions. These organizations were to play a major role only in organizing the agricultural markets. Of more importance was the creation of the Social and Economic Council (Sociaal-Economische Raad, SER) as the crown on the corporatist framework. Trade unions, employers' organizations and government each appoint one third of the Council's members. Until recently, government had to ask the SER for advice on all important socioeconomic issues. The corporatist framework in the Netherlands not only meant that the private organizations had or shared responsibilities, but also led to an extensive framework of consultative bodies in virtually all areas of government action (SCP 1981: Chapter 13).

1.1.5 Depillarization

The expansion of welfare state services such as education, health care and welfare work took place along denominational lines (Van Holthoon, 1988: 80; Hupe, 1993: 381). The services were mostly provided by private and pillarized organizations, but financed by collective arrangements. The process continued, even when society as a whole showed signs of decreasing adherence to the pillars and declining identification with the pillarized ideologies (Dekker and Ester 1996). The confessional pillars suffered under the secularization process as witnessed by the decline in church members and church visits. Depillarization was also reflected in organizational forms. For instance, the Catholic and socialist labour unions willingly merged in the mid-1970s (the protestant union chose to stay on its own). Perhaps the most significant sign of depillarization has been the merging of the Catholic, and the two Protestant parties into the Christian Democratic Party in 1980. The religious antagonists, who previously only pragmatically and strategically joined forces to fight common causes and enemies, were united into one single party.

At first, the growth of the welfare state strengthened the pillarized structure, but contributed greatly to its decline later. The expansion of the publicly financed but privately provided welfare state services boosted the growth in size and spending of the denominational organizations. At the same time, they became more vulnerable as their dependence on the collective financial flows increased. Furthermore, accepting public funding also meant accepting the regulations that came with it, for instance with respect to the educational qualifications of personnel. The crisis in government finances in the late 1970s and early 1980s led to the disappearance of many pillarized organizations. Owing to the financial constraints they were sometimes forced to merge into nondenominational (but still private) organizations or to dissolve.

In addition, the corporatist setup attracted increasing criticism. For instance, the trade associations were accused of being responsible for at least part of the rapid growth in the number of people receiving disability benefits (Cf. Vrooman, 1995, 61-62, for the other sources of growth). They gave benefits not only to those who were genuinely incapable of working, but also to those who were considered dysfunctional, inefficient or simply too old. The scheme had advantages for both employees and employers. Employees were financially better off, since the disability allowances were higher than unemployment and national assistance benefits; while employers saved themselves the costs and burden of dismissal. As a result, spending on these benefits, which were financed by compulsory contributions from all employees, rose very rapidly. In the early 1990s the government intervened and adopted policies aimed at reducing the number of beneficiaries and lowering the level of the benefits.

One direct result was the decreased influence of the social partners and consultative bodies in favour of government (Cf. Kramer, 1981). In more recent years the government has tended to prefer the privatization of public or collective arrangements above taking matters into its own hands (Cf. Kramer et al., 1993). In the prevailing neo-liberal spirit, privatization is the magic word; the country is moving away from the corporatist organization and the consultation structures. This is not to say that they no longer have a role to play, however – quite the contrary; but recent developments have shown a trend towards either more direct government control or privatization.

1.2 Legal background

1.2.1 Legal context and the right to associate

In the Netherlands the right to associate has been constitutionally protected since the Constitution of 1848. Article 8 of the 1983 Constitution stipulates that the right to associate can only be restricted by law in the event of violation of public order. Every inhabitant of the country enjoys this right, which includes all legal forms that are used for voluntary organizations, in particular associations (*verenigingen*), foundations (*stichtingen*) and churches (*kerkgenootschappen* or *kerken*). These are vehicles for nonprofit activities.

The Netherlands belongs to the civil law family in which, in contrast to the countries from the common law family (such as the United Kingdom and the United States of America) there is a strong focus on legislation and a distinction between public law and private law. This latter aspect is the reason why, for instance, in civil law the legal form, which is a matter of private law, is not necessarily linked to tax regulations, which are a matter of public law. Private law consists largely of non-mandatory rules.

The first law on nonprofit organizations was the law of 1855 on association and assembly (*Wet vereniging en vergadering*). According to this law the establishment of associations was free, but in order to obtain legal personality royal consent of the articles was required. Foundations as legal entities had existed in the Netherlands since medieval time according to custom law. Following the French occupation, in around 1800, and the introduction of the Civil Code in 1838 it was unclear how far the establishment of foundations was still legitimate. In 1882 the Supreme Court of the Netherlands confirmed the legitimacy of this establishment without explicit law or governmental consent (HR 30 June 1882, W 4800). The Court ruled that only a notarial deed was required for the establishment. Custom law was replaced in 1956 by the Act on Foundations. In 1976 Book 2 (legal persons) of the new Civil Code (*Burgerlijk wetboek, BW*) came into force, in which associations (Part 2) and foundations (Part 4, now 6) were also regulated. The old laws were then repealed. Part 1 (general) and Part 7 (statutory merger and splitting up) of the Civil Code apply to these legal forms.

Churches are not only protected by the right to associate but also by the rules on freedom of religion. The Netherlands has no church established by public law. The law on churches (*Wet op kerkgenootschappen*) of 1853 stipulated only that churches could be registered at the Ministry of Justice. This law was abolished in 1988. Under Section 2 of Book 2 of the Civil Code, churches are regulated only by their own articles. Their legal personality is accepted by law. Courts may apply by analogy the general sections of Part 1 of Book 2 of the Civil Code on churches in so far as this is compatible with its articles and the character of the relations between the conflicting parties.

⁹ The Netherlands has ratified the various international treaties in which the right to associate is protected.

Legal persons, including associations and foundations, can be dissolved if they act contrary to public order (e.g. criminal organizations) (Section 20, Book 2 BW). As such legal persons are also subject to criminal law. In that case the legal persons and/or the people who have control in the organization can be punished (Section 51 Penal Code). Participation in criminal organizations, and participation in the activities of an organization that has been dissolved because of its illegal character, is also an offence (Section 140 Penal Code).

Where associations and foundations are not only organizational entities focusing on a specific purpose, but also bearers of an economic unit ¹⁰ with employees, certain other Parts of Book 2 of the Civil Code apply: Part 8 (inquiry procedure) is applicable to associations and foundations that are bearers of an economic unit and have 50 employees or more). Part 9 (annual accounts and annual report) applies to associations and foundations which are bearers of an economic unit with employees, are entered in the commercial register and have annual net turnover of around NLG 7.5 million. Other laws besides Book 2 of the Civil Code are also applicable to associations and foundations that are bearers of an economic unit. For instance, tax regulations relating to associations and foundations can be found in Dutch tax laws (see Section 1.2.5).

Nonprofit organizations are also subject to the law on works councils. Works councils have certain rights relating to the decision-making by the competent bodies of the economic unit. For associations and foundations that operate in the educational field, the laws on primary and secondary education include participation rights for pupils, parents and staff. The same is true for the participation of clients in health care institutions and in juvenile care. The clients have a right to appoint a member of the management board; client councils have a right to advise in the decision-making of the managers.

1.2.2 Legal forms, including permissible objects

Nonprofit organizations make use of the legal forms association and foundation. ¹¹ The association is defined in Section 26 of Book 2 of the Civil Code as a legal person with members directed towards an object other than meeting the material needs of its members by contracts concluded in the business set up by the association. ¹² As this description makes clear, associations may pursue all manner of objects, not just nonprofit objects, but also commercial objects. The only restriction is that the association may not distribute profits to its members (or members of its internal bodies). A specific characteristic of the association is that it has members, persons who are admitted to the association and who have a special non-contractual relationship with the association. The general meeting of members has important powers within the association.

¹⁰ The term 'economic unit' is used to avoid the word 'enterprise', which could incorrectly suggest the notion of profit-making.

¹¹ If the object of the organization is religious worship, it is regarded by the law as a church, but as there are no formalities to confirm this legal status, many new religious communities choose the legal form of an association or foundation.

¹² To summarize: the association may not have an object similar to cooperative or mutual societies.

There are two types of association: the association with limited legal competence (informal association) (*vereniging met beperkte rechtsbevoegdheid*) and the association with full legal competence (*vereniging met volledige rechtsbevoegdheid*).

An *informal association* is established when at least two persons (natural or legal persons) form an organization for a specific purpose. It is debatable, both in jurisdiction and the literature whether they need to have the wish to form a legal person. Written articles are not necessary but there should be agreement on certain organizational rules.

The informal association is a legal person from the moment of its establishment, but there are some limitations (see Section. 30 Book 2 BW). It cannot receive registered goods (such as real estate) and it cannot be an heir. Another specific feature of informal associations is that the members of the management board are – in addition to the association – personally liable for the debts incurred during their participation in that body. The rules on the liability of ex-members of the management board are very complicated. When an informal association is entered in the commercial register, the members of its management board may only be sued for the debts of the association if a creditor is able to put forward a plausible case that the association will not pay.

Apart from the special rules just mentioned, the other sections in Part 2 on associations are also applicable to informal associations. Deviation from the non-mandatory rules of Section 52 of Book 2 of the Civil Code requires written articles.

A *formal association* is established when the requirements for an association are met and the establishment of the association is laid down in a *notarial deed*. This deed must be drawn up in the Dutch language and must as a minimum contain the articles. ¹³

According to Section 27 of Book 2 of the Civil Code the articles must contain the name of the association and the municipality where it has its registered office; its object; the obligations of its members vis-à-vis the association or the way in which these obligations can be imposed; the method of convening general meetings; the method of appointing and dismissing members of the management board; and the appropriation of any surplus on the winding up of the association, or the method by which that appropriation can be determined. The government does not interfere with the establishment. With the signing of the notarial deed the association becomes a legal person with full competence.

As long as the formal association is not entered in the commercial register the members of the management board are personally liable for the legal acts by which they have bound the association.

¹³ In Dutch law the articles (statuten) are the rules of the legal person as enacted at its establishment; special rules exist for amending the articles. They contain the important organizational rules. Several sections of the law mentions allow for deviation from them pursuant to the articles. In addition a legal person may have bylaws or rules (reglementen) in which other, usually more procedural, rules are laid down. They are lower down the legal hierarchy and can be amended more easily.

Section 285 of Book 2 of the Civil Code describes a *foundation* as a legal person established by a legal act, which has no members and is directed towards the realisation of an object as set out in its articles, with the help of assets used for that purpose. A foundation may be established by one or more persons; the establishment should be laid down in a notarial deed, which may also be a public will. It is not required that the foundation has assets on its establishment. Where a foundation is established by public will, the foundation is declared by law to be the heir (or legatee).

A foundation may have all kinds of *objects*, with the restriction that the object may not be the payment of benefits to the founders or the members of the board of the foundation, nor to others unless the payments to this latter category have an idealistic or social character.

The notarial deed must be in Dutch (a will may be in a foreign language) and must as a minimum contain the articles of the foundation – in the Dutch language. The articles must contain the name of the foundation, which must contain the word *stichting*; the object; the method of appointing and dismissing members of the management board; the municipality in which the foundation has its registered office; the appropriation of any surplus in the event of winding up, or the way in which that appropriation will be determined (see Section 286 subsection 4 of Book 2 BW). The foundation has full legal competence. As long as the foundation is not entered at the commercial register, the members of the management board are personally liable for the legal acts by which they have bound the foundation. The management board has the competence to bind the foundation with the restriction that the board only may conclude contracts to receive, to sell or to give or to mortgage registered goods (e.g. real estate) or to enter into contracts in which the foundation is a guarantor for the debts of a third party, in the cases and under the conditions as permitted by the articles.

1.2.3 Registration and publicity

Registration is not a requirement for (full) legal personality. However, the law mandates the members of the management board to enter the legal persons (except for informal association) in the Commercial Register maintained by the Chamber of Commerce and Industry in the region where it has its registered office (or the registered office of its economic unit). The purpose of registering legal persons is to provide relevant data to the public in general and to creditors in particular.

Associations with full legal competence must file the family and first names and the addresses of the members of the management board; the family and first names and the addresses of the members of the management board who have sole or joint representative power; other persons who according to the articles have representative powers, and the limit of their powers. The association must also file the notarial deed of establishment and/or its articles with the Register. Informal associations have to file the same information if they choose to register. Foundations are required to file the same information, plus the family name and first names and the addresses of the founders.

The Chamber of Commerce and Industry charges an annual contribution for registration. The Chamber has been given special rights to enforce the payment of this annual contribution. If an association or foundation has not paid its annual contribution,

combined with the fact that either no members of the management board are registered or the registered members of the management board have died or cannot be traced, the Chamber of Commerce and Industry may start a procedure to wind up the legal person (Section 19a Book 2 BW).

Where an association or foundation is the bearer of an economic unit with a net turnover of NLG 7.5 million, the annual accounts must be filed – after being drawn up by the competent internal body – at the Register (Section 394 in conjunction with 360 Book 2 BW). Organizations that are already subject to similar requirements as those imposed by Part 9 of the Civil Code (accounting law), and publish their accounts, are exempt from these obligations; these include pension funds, hospitals, recognized housing corporations, retirement homes, etc

1.2.4 Internal governance

Part 2 (associations) of Book 2 of the Civil Code contains several regulations on the internal structure of associations. The most important are the rules in which the general meeting of members is given mandatory powers. The law provides for the right to receive an annual report from the management board, to appoint and dismiss the members of the management board, to amend the articles, to wind up the association and to take decisions in all cases in which the law nor the articles give competence to other bodies of the association. Every association must also have a management board, which is responsible for the realisation of the association's object. The management board has mandatory competence to manage and represent the association. The articles may limit the powers of the management board, but not in such a way that the board is actually unable to take independent decisions. The articles may provide for other internal bodies with certain competences. Often, especially in large associations and foundations that are bearers of an economic unit, the articles provide for a supervisory board. This board advises and supervises the actions of the management board. In the event of conflicting interests between the association and members of the management or supervisory board, the general meeting may nominate one or more persons to represent the association.

Where there is a supervisory board, it checks the annual accounts as drawn up by the management board. Where there is neither a supervisory board nor an audit by an external accountant, the general meeting appoints two independent members as an audit committee that reports to the general meeting. Although members of the management board may not derive profit from the association, they are allowed to receive a reasonable salary for their activities as long as this is in proportion to the amount of work they do.

According to Part 6 of Book 2 of the Civil Code the only mandatory in a *foundation* is the management board. The management board manages the foundation according to its articles. The articles may provide for other internal bodies, as long as this does not conflict with the legal prohibition of membership in foundations. In doctrine this prohibition is mostly interpreted to mean that a situation should not exist in which a body acquires a position similar to that of the general meeting in the association. There may be a supervisory board; and there is explicit provision for a body to appoint and

where necessary dismiss the members of the management board (Section 285 subsection 2 Book 2 BW). Amendment of the articles is only within the competence of a body of the foundation where this is explicitly stated in the articles (Section 293 Book 2 BW).

Members of the management board (directors and members of the supervisory board) of nonprofit organizations, as well as other legal persons, are obliged to fulfill their tasks adequately and faithfully (Section 9 Book 2 BW). In this respect, the insight that may be expected from a sensible director in a similar situation who fulfills his task meticulously, is required from each director. Thus directors to a certain extent accept responsibility for their own competence. A breach of duty may lead to liability for the damages incurred by the nonprofit organization. However, such liability arises only in cases of gross negligence or gross carelessness. If the nonprofit organization is liable for corporation tax, the liability is extended in the event of bankruptcy of the organisation. If the directors have performed their duties inadequately within a period of three years preceding the bankruptcy and this can be assumed to be an important cause of the bankruptcy, they are jointly and separately liable for any remaining deficit upon winding up(Section 50a/300a in conjunction with 138 Book 2 BW).

Furthermore, in the event of conflicting interests, directors are compelled to disclose the nature of those interests and to refrain from decision-making involving them. As a rule, directors cannot legally represent the nonprofit organization where a conflict of interests is involved.

To conclude, members of the management board may be liable vis-a-vis third parties for any wrongful act they commit in their capacity of member of the management board. Such liability arises under the law of tort, and may occur for example when a member of the management board wrongfully causes a breach of contractual obligations or appropriates assets from the nonprofit organization knowingly to the detriment of the creditors.

1.2.5 External governance

As already stated, the government is not involved in the establishment of associations and foundations. The law makes no special provision for the monitoring of *associations*' activities; the general meeting of members has the competence to monitor the actions of the management board and to dismiss its members. In the event of conflicts that cannot be resolved properly by internal bodies, the courts may be requested to issue a ruling.

As the law provides the *foundation* with no countervailing powers next to the management board, the public prosecutor and the courts are given powers vis-à-vis the foundation. Where there is a suspicion of unlawful behaviour or mismanagement, the public prosecutor may ask the management board for information. If no information is given, or if the information given is unsatisfactory, the public prosecutor may ask the courts to allow him to inspect the documents of the foundation. Interested persons and the public prosecutor may ask the courts to dismiss the members of the management board on the grounds of unlawful behaviour or (financial) mismanagement (Section 298 Book 2 BW). The same sanction applies when mismanagement or violation of

the law or articles is established by the court. However, the category of third parties with a justified interest is restricted to the founders, members of the organs of the foundation or persons who face tangible and specific harm in relation to the foundation (Supreme Court 25 October 1991, NJ 1992, 149).

The courts also have the competence to appoint members of the management board in cases where the competent bodies of the foundation do not provide for this. The courts may wind up the foundation if the assets are insufficient for the realisation of the object and it is highly unlikely that sufficient assets will be obtained in the near future from contributions or otherwise, ¹⁴ and when the object of the foundation has been achieved or is unachievable (Section 301 Book 2 BW). The courts also have the competence to amend the articles where the competent body does not do so and the unamended articles would lead to consequences that could not reasonably have been intended on the foundation's establishment. The courts exercise the above powers at the request of interested persons or the public prosecutor.

To counter the lack of reporting requirements, as a rule *nonprofit organizations that* receive government subsidies have to submit their annual accounts and report to the relevant government authority. In addition fundraising organizations that voluntarily adhere to the standards of the Central Bureau of Fundraising (see under 7 below), must provide a copy of their financial report to any member of the public who asks for it.

Associations and foundations that bear an economic unit and have at least 50 employees (and have a duty pursuant to the Law on Works Councils to have a works council) can – since 1994 – also apply the provisions of Book 2 of the Civil Code on the inquiry procedure (Part 8). This procedure allows one tenth (or 300) of the members of an association, the persons mentioned in the articles (of an association or foundation) and the trade unions of the employees to request the Enterprise Division of the Amsterdam Court of Appeal to appoint an inquirer to report on whether a serious suspicion of mismanagement appears to be well founded. In addition the Advocate General of this court has the right to request such an inquiry in the public interest. If the report shows that there has been mismanagement, the Enterprise Division may at the request of the original parties take several steps, such as dismissal of members of the management or supervisory board and appointment of new ones, temporary amendments of the articles or improving the situation.

1.2.6 Tax treatment

Public benefit organizations

In the Netherlands, as in other countries, the privileged tax treatment of nonprofit organizations and their benefactors is related to the nature of their purpose and activities. Organizations that are eligible for the status of public benefit organization are those that pursue religious, ideological, charitable, cultural, scientific or public interest objects. In the remainder of this paper these organizations are referred to as 'public benefit organizations'.

¹⁴ In this sense there is a certain requirement of assets.

The concept of public benefit organization is a fiscal law concept. Although the organization must in principle be a domestic organization to be eligible for public benefit status, there are no restrictions as to where its activities are (mainly) performed. Even when solely aimed at the realization of an object in a foreign country, an organization may still be a public benefit organization. The ultimate test is 'if it can reasonably be assumed that the object that is being pursued serves the well-being of the population in the (relevant) country.' Organizations promoting or supporting violence in the pursuit of their object cannot however be public benefit organizations.

In practice the issue of whether an organization is a public benefit organization is hardly ever decided on the substance of the object, but rather on the issue of the potential beneficiaries of the organization's activities. If the organization implicitly or explicitly aims to benefit too restricted a group of persons, it will not qualify as a public benefit organization. This may be because it primarily aims to benefit one or more particular persons, for example persons belonging to a family, or because the organization is mainly member-serving or aimed at supporting the members of another organization (Supreme Court, BNB 1983/176). If an organization serves both its members and the public at large, as a rule at least 50% of the activities should be for the public benefit in order to qualify as a public benefit organization (Supreme Court, BNB 1994/280).

The fact that an organization performs lobbying or other political activities does not exclude it from being a public benefit organization. On the contrary, political parties and their scientific institutions are recognized as public benefit organizations (Ministry of Finance Resolution, 8 July 1954).

Corporation tax

Nonprofit organizations may be liable for corporation tax (*Vennootschapsbelasting*), but only if they perform economic activities on a regular basis. ¹⁶ A one-off profit-yielding event or activity will not lead to taxation. In addition, corporation tax is imposed only on nonprofit organizations when they enter into competition with regular commercial organizations. If a nonprofit organization is liable for corporation tax, only the net income from the economic activities are taxable. Other sources of income, such as contributions, donations, revenue on investments and interest-bearing accounts, are not taxable. A request for restitution of retained dividend tax can be filed only if the amount retained is NLG 50 or more. If, however the investments are linked to commercial activities which give rise to a corporation tax liability, the dividend tax will not be repaid but will be offset against the corporation tax payable.

There are certain exceptions to the general rules described above. A general exemption applies to recognized housing corporations and public libraries. Also, institutions that are active in nursing and curing (mental) patients, providing care for the elderly, orphans or socially maladjusted people, may be exempted from corporation tax under certain conditions.

¹⁵ Much more than 50% of the funds raised by accredited fundraising organizations (see below) are intended for foreign purposes.

¹⁶ Legal persons are not subject to personal income tax.

These conditions are that the aim to make a profit is proportionally marginal, at least 90% of the activities consist of providing the actual facilities and that the profit will be used only for exempted organizations or for the public benefit.

In conclusion, in general nonprofit organizations are exempt from corporation tax if:

- they are predominantly serving a social, ideological, charitable, cultural or scientific purpose;
- the profit is limited to NLG 13,000 or does not exceed NLG 65,000 in that year and the four preceding years together;
- the profits are used solely for the above purposes;
- the revenues are mainly acquired through the efforts of volunteers;
- the activities from which the income is derived do not seriously disrupt fair competition with commercial enterprises;
- there is no aim to make a profit or the aim to make a profit is of marginal importance. (Ministry of Finance Resolution, 9 April 1999).

Inheritance and gift tax

In the Netherlands, inheritance and gift tax is payable by the recipient of an inheritance, legacy or gift. Legal persons in general are subject to tax at the rate of 41-68% on assets acquired through testamentary dispositions or gifts, including those acquired at the moment of establishment. An exemption applies only for gifts that do not exceed NLG 1,650 (1999) or testamentary dispositions that do not exceed NLG 4,951 (1999). However, 'institutions' serving religious, ideological, charitable, cultural, scientific or public interest purposes, are subject to a special rate of 11%. In addition the exemption level – which is actually a threshold – is higher than the general exemption: gifts up to NLG 8,254 and testamentary dispositions up to NLG 16,507 are exempt. Gifts from the same donor to the same foundation within a period of two years must be added together for the purposes of gift tax, pursuant to Section 27 of the Inheritance Tax Act.

If the threshold is exceeded, the full value of the acquisition is taxed at a maximum of 75% of the difference between the exempted amount and the total value of the acquisition (Section 35 of the Inheritance Tax Act). In addition, gifts from '11%-organizations' executed in accordance with their statutory object are exempt from gift tax.

It is not necessary to acquire prior recognition in order to be entitled to the privileged tax treatment under Section 24 subsection 4 of the Inheritance Tax Act, though nonprofit organizations may wish to apply voluntarily for such recognition at the office of the Inspector of Registration and Succession. In order to acquire such recognition, a number of conditions are set by the Inspector, e.g. concerning the composition of the board of management, notification of any changes in the composition of the board, amendments to the articles, the appropriation of the residual assets on winding up and the obligation to submit annual reports each year.

¹⁷ Nonprofit organizations, for-profit organizations and, under certain specific conditions, also persons or entities without legal personality, may be eliqible for this status.

¹⁸ Section 24 subsection 4 of the Inheritance Tax Act (Successiewet 1956).

If prior recognition is not sought and the status pursuant to Section 24 sub. 4 of the Inheritance Tax Act is contested by the Inspector of Registration and Succession, the decisive issue is whether or not the object as set out in the articles and the activities are sufficiently directed towards serving any of the purposes mentioned in Section 24 sub. 4 of the Inheritance Tax Act.

Foreign organizations are not eligible for 'Section 24 sub. 4 status'. However, taxes payable by such organizations, pursuing an object referred to in Section 24 sub. 4 of the Inheritance Tax Act and operating on an international level, are generally remitted to the extent that the same treatment applies as for a Dutch organization. Remission may also be granted in other cases by the Minister of Finance but may then be conditional upon reciprocity with the country of origin of the foreign organization (Section 67 of the Inheritance Tax Act).

Tax deductibility of gifts

Dutch tax law allows gifts to domestic public benefit organizations to be deducted from the donor's taxable income. The law makes a distinction between corporation tax and personal income tax. With regard to corporation tax, gifts are deductible if they exceed NLG 500 and are limited to 6% of the taxable profit in the year in question. Gifts that qualify as operating costs, for example because they are directly related to advertising facilities, are however fully deductible. With regard to personal income tax, gifts are deductible if they lie between 1% and 10% of gross income. Donations in the form of at least five annual instalments, laid down in a notarial deed, are however deductible without restrictions.

Foreign organizations may attract deductible donations only if they are recognized by the Ministry of Finance. The Ministry maintains a list of such foreign organizations.

Value added tax

Nonprofit organizations are in principle subject to Value Added Tax (VAT) if they provide services or goods on a regular basis ¹⁹ for which they charge a remuneration. Whether or not they intend to make a profit is not relevant in this respect. There are however a number of services that are exempt from VAT (Section 11 of the Turnover Tax Act), and many of these are relevant especially for nonprofit organizations. The list of exempted services includes things such as caring for and nursing people admitted to an institution (e.g. hospitals and nursing homes), youth work and protection, services provided by (para)medics, promotion of sports and the provision of facilities for sports, education, social and cultural activities. The exemption may be given on the condition that the organisation has a nonprofit object.

Fundraising activities involving the sale of goods or the provision of services are also exempt provided they are performed by an organization that otherwise provides exempt services, and provided the fundraising activities are of marginal importance and do not exceed a certain threshold.

¹⁹ This may be once a year, if a certain event is organized every year; Tariff Committee, 31 August 1976, BNB 1977/90.

For the supply of goods that threshold is currently NLG 150,000, while for the supply of services the limit is NLG 70,000 for organizations promoting sports or providing sports facilities, and NLG 50,000 for other organizations. In other cases, exemption may be requested for the sale of goods to raise funds for conducting activities with a social or cultural character, provided the revenue does not exceed NLG 50,000. The limit may be increased to NLG 150,000 if the sale is aimed at the public in general, the only purpose is to raise funds for social or cultural activities and the public is informed that the revenues are for these activities (Resolution 12 January 1970 and Resolution of 9 March 1999).

A nonprofit organization may only reclaim the VAT on goods and services it has purchased if it is itself subject to VAT and does not conduct tax exempt activities only.

Fundraising restrictions

In order to prevent undue inconvenience and abuses, municipalities as a rule prohibit door-to-door and on-the-street solicitation without a permit. A permit may be granted on the condition that a financial report detailing the proceeds and costs is submitted to the municipality. The same applies to organizing lotteries and other games of chance, other than within a closed circle of participants. Other forms of solicitation are not regulated, with the exception of telephone sales, which are prohibited altogether if it is suggested or implied that (part) of the proceeds will benefit some public benefit organizations (Section 435 e of the Penal Code).

The issue as to whether laws are needed regulating fundraising for charitable purposes has often been debated in parliament. So far the official government standpoint is that the system of self-regulation is functioning adequately. Self-regulation of fundraising is in the Netherlands centred around the Central Bureau for Fundraising (CBF). The CBF is a foundation, established in 1925, in which representatives of several disciplines and background cooperate in order to promote responsible fundraising practices and spending. For this purpose a system of accreditation on the basis of compliance with the CBF standards for fund raising organizations has been developed. The bodies of the CBF include representatives of the Association of Netherlands Municipalities (NGV), the umbrella organization of fundraising organizations and representatives of academia, the magistrature, consumer organizations and certified public accountants.

Since 1997 the CBF has issued an official seal of approval (CBF-Keur) to accredited organizations. The CBF is authorized to issue its seal of approval under the auspices of the Netherlands Council of Accreditation (NCA). An official authorization by the NCA indicates the objectivity and expertise of the accrediting organization.

Official accreditation by the CBF confers the right to use the *CBF-keur* logo on printed matter and in fundraising activities by the organization. This informs the public that the organization has been found to have provided sufficient guarantees for responsible fundraising practices and spending. In addition the CBF employs another, lighter form of 'accreditation', that does not confer the right to use the CBF logo. The procedures for obtaining this 'declaration of no objection' and the conditions and standards applied, are somewhat lighter compared to those for the official seal of approval.

Accreditation by the CBF helps municipalities to evaluate a request for a solicitation permit and helps corporate donors in selecting potential donees. Furthermore, the CBF is involved in setting national collection schedules, both for door-to-door collections and for radio and television fundraising campaigns. In essence, the nature of these schemes is to avoid confusion among the public and ultimately to promote charitable giving by the public.

2 CONTOURS

This part presents a quantitative discussion of the nonprofit sector in the Netherlands. We will present data on the size of the sector in terms of employment and expenditures. We will outline the main areas of activity of the sector, and we will reveal the sector's revenue structure. Following a brief discussion of data sources and the methodology used to arrive at our estimates of the Dutch nonprofit sector, and a preview of key figures, Section 2.1 describes the main estimates for the size and composition of the sector and Section 2.2 its revenue structure. Section 2.3 gives additional information about money and time given voluntarily by the population. Finally, the results of our investigation are discussed in Section 2.4 in the context of more theoretical and historical inferences. What kind of relations and developments do the figures suggest?

Data sources

Despite having a large nonprofit sector, the position regarding the availability of data in the Netherlands is not ideal. Information on nonprofits is scattered and – if available – is assembled for different purposes. Our task was to bring the data together to draw up estimates for the entire nonprofit sector in the Netherlands within the framework of the Comparative Nonprofit Sector Project.

The basic approach was to gather data at the highest possible level, at the highest available level of aggregation. If the data were not available at one level, we looked one step down. The main levels are: the nonprofit sector as a whole, specific sub-fields (such as education, religion, health care), specific types of activities within sub-fields (primary education, museums, hospitals) and finally individual organizations. In practice, data were often only available at the third level (specific types of activities within sub-fields). These were then allocated according to the International Classification of Nonprofit Organizations that we use in the comparative project. If at all possible, we wanted to refrain from collecting data by means of surveys or the meticulous process of reviewing individual organizations. The first of the less preferred strategy could be avoided, the second unfortunately not.

The national accounts are the most obvious starting point for data on nonprofits. According to the United Nation's guidelines, the national accounts should report on a specific part of the nonprofit sector: the nonprofits serving households. Unfortunately, despite these guidelines, the central Dutch statistics office Statistics Netherlands (CBS) had until recently never published separate figures for nonprofits serving households. This situation had to change under new EU guidelines (ESA 1995), and as a result CBS reported on nonprofits serving households for the first time in the 1999 national accounts. Despite this shortcoming, the national accounts were of great value for our 1995 benchmark year estimates, particularly with respect to professional organizations and for assessing ratios between wages and operating expenditures.

Industry reports were among the main sources used. CBS publishes excellent reports on specific activities such as hospitals, sports clubs, museums, homes for the elderly, etc. These well-documented studies or the unpublished working files contained very useful information on these activities; in some cases they even provided a breakdown between type of organization. In the other cases the most difficult task was to separate the share of nonprofits in the activities. This was done using the other sources. A second set of important sources were data from (national) umbrella organizations. The information obtained from them on things such as residential health care, social services, fundraising and churches were invaluable and a *sine qua non* for drawing up a complete or at least adequate picture of these activities. The third main sources were annual (financial) reports of individual organizations. These were crucial for collecting data on things such as environmental, political and philanthropic activities.

Of all variables, the data on (total) operating expenses and employment are the most reliable. Only for some of the less well-documented activities employment was it necessary to estimate by assuming ratios between operating expenses or organizational costs. Information on the total amount of revenues is fairly solid. The distinction between revenue types could not always be established, particularly the distinction between private fees and donations. Given these problems with the revenue sources, the share of private giving may be slightly underestimated.

Key figures

Table 1 presents the key figures of the nonprofit sector in the Netherlands. The Dutch nonprofit sector is an important sector economically. It provides about 660,000 full-time equivalent jobs, its expenditure amounts to almost NLG 100 billion (about EUR 45 billion) annually, and its added value amounts to NLG 65 billion (about EUR 30 billion). The economic and financial importance of the nonprofit sector can be further shown by reporting its key features as a share of total employment and national income. Nonprofit expenditures reach 15.5% of Gross Domestic Product (GDP). Nonprofit paid fte employment accounts for 12.3% of fte employment in the whole economy, and 12.9% of nonagricultural employment. The nonprofit sector generates no less than 10% of national income. Next to the large share in paid employment, the nonprofit sector is also the recipient of donated labour in the form of volunteering. In fact, the nonprofit sector is the beneficiary of nearly all the volunteering in the Netherlands. The amount of volunteer time represents the equivalent of over 400,000 fte jobs, which is equal to 7.5% of total paid employment.

Public funds constitute the largest share of nonprofit revenues. Own income or earnings make up almost 40% of nonprofit revenues, while private giving accounts for 3.4%. Half of the public revenues originate directly from government; the other half are made up of third-party payments.

These comprise health insurance payments for services provided in the sub-fields of health care and social services (hospitals, nursing homes, family care, homes for the disabled).

Table 1 Key figures of the Dutch nonprofit sector, 1995

,		
Fte paid employment	669,121	
Fte volunteering	406,472	
Operating expenditures (x NLG billion)	98.1	
Value added (x NLG billion)	64.9	
Sources of income as % of total		
Government	31.6	
Health insurance	26.8	
Earned income	38.1	
Private giving	3.4	
The nonprofit sector in wider perspective		
employment as % of total paid employment	12.3	
employment as % of nonagricultural employment	12.9	
volunteering as % of total paid employment	7.5	
operating expenditures as % of GDP	15.5	
value added as % of GDP	10.2	

The health insurance payments are largely compulsory contributions. One kind of health insurance contribution is in fact a quasi-tax that is used to cover 'special sickness costs', which include nursing homes, family care, mental health and care for the disabled. It is financed by an earmarked proportion of income tax revenues. The remainder of the health contributions consists of premiums paid to insurers. Health care insurance is taken out either with a private insurance company, if the person's income is above a certain threshold, or with a compulsory national insurance fund if their income is below the threshold. Because people below a certain threshold are obliged by law to pay their health insurance premiums to the national fund, these payments are considered as indirect public payments. Government also contributes to the funds. Payments from commercial insurance companies are also regarded as third-party payments. Unfortunately, the available data do not provide a breakdown between the payments from the compulsory national funds and the commercial enterprises. According to our rough estimate the payments from for-profit companies could amount to about 12% of the third-party payments (FOZ, 1997). Strictly speaking, therefore, part of the financial flows classified as public funds are actually non-compulsory premiums paid to private insurance companies.

The figures show that the nonprofit sector in the Netherlands is an economic force of major significance. Just as the nonprofit sector is seldom seen as a separate entity, so its economic significance has not been fully recognised by nonprofit leadership, policy-makers, the academic community or society as a whole.

To sum up, the nonprofit sector in the Netherlands is characterised by high levels of spending, added value, paid employment, and volunteering. On the revenue side, the importance of earnings and public funding stand out. Private giving proves not to be a major factor at the aggregate level of the nonprofit sector. In the next section we shall look at the breakdown between fields of activity to see whether this applies here, too. What are the main fields of activity in terms of expenditures and employment, and what are the differences in revenue structure between the fields?

2.1 Size and composition

2.1.1 Paid and unpaid employment

The structure of nonprofit employment is a clear reflection of the sector's history. A distinguishing feature of the Dutch nonprofit sector is private delivery and public funding. Table 2 shows that the welfare state services account for the largest part of paid employment in the nonprofit sector. Education is perhaps the best-known field of nonprofit activities financed by public funds. Pillarization was the engine behind the strong growth of private education. In terms of employment education rates among the highest nonprofit employers, but is not the single largest: with 27% of nonprofit employment, education is second only to health care, which accounts for 42% of nonprofit employment.

Table 2 Paid fte employment in the nonprofit sector, 1995

N	umber (x 1,000)	% of total nonprofit	% of entire economy
Culture and recreation	27	4.0	0.5
Education and research	181	27.1	3.3
Health care	282	42.1	5.0
Social services	125	18.9	2.3
Environment	6	0.9	0.1
Development and housing	17	2.5	0.3
Civic and advocacy organizations	4	0.6	0.1
Philanthropic intermediaries and voluntarism promot	ion 3	0.4	0.1
International activities	4	0.6	0.1
Religion	7	1.1	0.1
Professional and business associations, trade union	s 13	1.9	0.2
Nonprofit sector	669	100	12.3

So 4 out of 10 nonprofit jobs are in health care. This field is a typical example of the division of roles between private provision and public funding. The delivery of health care services is traditionally a private matter, and government policy aims to keep it that way. The role of government in the actual provision of health care is small and decreasing. The role of government in health care regulating and financing is considerably larger than its role in provision. Government has a large influence on prices and on quantities by controlling hospital budgets. Despite the large role of government, the funds consist mainly of health insurance payments and not direct government subsidies or payments.

Social services also have a large share in nonprofit employment. The bulk of the employment is located in care for the elderly and the disabled and in social work. Again these types of services receive large amounts of public funding (mainly direct government payments), while the actual provision is mainly in the hands of nonprofits.

The welfare state services education, health care and social services together account for almost 90% of paid employment. The other sub-fields account for the remaining

12%. This figure may seem small at first sight. However, it must be borne in mind that the entire Dutch nonprofit sector is so large that the sub-fields that are traditionally not the largest seem smaller than elsewhere, even though these sub-fields may be larger in the Netherlands relative to total employment in the economy than in other countries. The field of the environment, for instance, accounts for 1.0% of total nonprofit employment in the Netherlands, 0.5% in Belgium, 0.8% in Germany, 1.0% in France, and 1.3% in the UK. In comparison to these countries the sub-field environment in the Netherlands thus appears to be of about the same size. However, since the scale of the entire nonprofit sectors in these countries is smaller than in the Netherlands, the size of the environment relative to the entire economy is considerably larger in the Netherlands.

Culture and recreation constitute the largest of the remaining groups, with a share in nonprofit employment of 4%. Almost half of this is accounted for by the arts and culture (libraries, museums). Sports and social clubs account for a third and a fifth, respectively. Housing and professional groups are comparable in size with about 2% of nonprofit employment each. Environment and religion each account for about 1% of nonprofit employment. The smallest sub-fields are advocacy, philanthropy and international activities, each of which has a share of about 0.5% of nonprofit employment.

The amount of volunteering in the Dutch nonprofit sector is considerable. According to surveys (cf. Section 2.3), almost half the adult population is engaged in some form of volunteering. If the voluntary efforts for nonprofit organizations are converted into full-time jobs, the amount of volunteering represents over 400,000 fte. If these were paid jobs, they would amount to 8% of total nonagricultural employment. Volunteer labour also constitutes a major part in the nonprofit sector when compared to paid labour: the total amount of volunteering equals 60% of paid employment.

The structure of unpaid labour differs markedly from that of paid employment. Health, education and social services were the largest fields for paid employment. Now culture and recreation dominate volunteering in the same way as health did for paid employment. Almost 40% of volunteer time is spent in culture and recreation. Sports attract the most volunteers in this sub-field. Other main fields of volunteer labour are social services (20%) and education (15%). Health only accounts for 7% of volunteer time. This figure is roughly comparable to the volunteer efforts in advocacy and religion. Table 3 shows that in terms of paid employment some of the smaller sub-fields depend more on volunteer labour. The environment, advocacy and religion each employ 1% or less of the entire workforce in the nonprofit sector. When it comes to volunteering, the environment accounts for 4% of volunteer efforts, advocacy 6% and religion 8%. The latter two make almost similar jumps in relative shares as culture and recreation. Compared to the share in paid employment, the share in volunteering increases tenfold for advocacy and culture and recreation: from 0.6 and 4.1 to 6.4 and 36.1%.

²⁰ As a percentage of total employment, the share of the environment is 0.13% in the Netherlands, but no more than 0.05% in Belgium, 0.04% in Germany, 0.05% in France, and 0.08% in the UK.

The relative share of religion rises by a factor of 8 from 1% to 8%. Yet all these substantial increases are well below the change in relative shares for international activities, which leaps from 0.1% to 2%, an increase by a factor of 20.

Table 3 Unpaid fte in the nonprofit sector, 1995

	Number (x 1,000)	% of total nonprofit
Culture and recreation	147	36.1
Education and research	59	14.4
Health care	27	6.8
Social services	84	20.8
Environment	15	3.5
Development and housing	1	0.2
Civic and advocacy organizations	25	6.4
Philanthropic intermediaries and voluntarism promotion	n.a.	n.a.
International activities	8	2.0
Religion	34	8.3
Professional and business associations, trade unions	6	1.4
Nonprofit sector	406	100

2.1.2 Expenditures

The three groups with a large share in employment also have a large share in nonprofit operating expenditures. Health care again takes the lion's share with 28% (Table 4). Education and social services account for 20 and 13%, respectively. However, the dominance of the three welfare state services is now less pronounced: taken together education, health care and social services account for 61% of operating expenditures, while their share in paid employment was almost 90%. Part of the discrepancy is explained by the large share of housing; while 2.5% of paid employment is located in housing, its share in operating expenditures amounts to 23%, making it the second largest nonprofit spender. This may come as a surprise since housing is not a well-known nonprofit activity either in the Netherlands or abroad. The fact is that nonprofit housing organizations occupy a central place. Of the approximately 6 million dwellings in the country, half are rented homes. Of these 3 million rented homes, nonprofits own and manage more than 2 million. In other words, one third of all dwellings and two-thirds of all rented homes are in the hands of nonprofit housing organizations.

The share of the four groups in nonprofit operating expenditures amounts to 84% and in nonprofit paid employment to 90%. The remainder of the discrepancy can be attributed to the other groups whose contribution to the nonprofit sector is better measured in terms of expenditure because they depend less on paid labour. The other groups account for 16% of nonprofit operating expenditure, while their share in paid employment was little more than half that figure (10%). Later on we shall see that these groups attract the largest part of volunteer labour. Monetary measures alone thus do not fully capture the activities of these groups.

Table 4 Operating expenditures of the nonprofit sector, 1995

	NLG x million	% of total nonprofit
Culture and recreation	6,423	6.5
Education and research	19,601	20.0
Health care	27,051	27.6
Social services	13,122	13.4
Environment	1,480	1.5
Development and housing	22,785	23.2
Civic and advocacy organizations	1,317	1.3
Philanthropic intermediaries and voluntarism promotion	1,237	1.3
International activities	2,017	2.1
Religion	867	0.9
Professional and business associations, trade unions	2,282	2.3
Nonprofit sector	98,183	100.0

2.1.3 Outputs

So far we have discussed employment and financial data to mark the position of the nonprofit sector in the Netherlands. Showing the relative share of the nonprofit sector in specific activities is another way of highlighting the sector's contributions to the Dutch society and economy. In these areas of activity nonprofits compete with either public or commercial organizations.

Table 5 Output indicators of the nonprofit sector as percentage of total, 1995

	Share of nonprofit	Share of for-profit	Share of public
Culture and recreation			
Visitors to museums	40.9	17.0	42.1
Members of sports clubs	96.0	4.0	
Education and research			
Students in primary and secondary schools	74.9		25.1
Students in colleges and universities	62.0		38.0
Health care			
Patient days in in-patient hospitals	71.7		28.3
Residents in nursing homes	88.9		11.1
Social services			
Residents in homes for the elderly	96.6		3.4
Environment			
Membership of environmental, ecological and animal			
rights associations	100.0 ²	ì	
Development and housing			
Dwellings in the rented sector	69.5	29.2	1.4
Civic and advocacy organizations			
Membership of civic associations	100.0 ²	ì	
International activities			
Share of international assistance budget going to			
nonprofit organizations	13.1		86.9

a Nonprofit share is by definition 100%

The measures presented in Table 5 were not chosen at random, but agreed upon in the international project. The results show the variations in nonprofit 'market shares' across the activities. As can be expected, the share of nonprofits is by its nature very high in associational activities such as sports clubs, environmental and civic associations. We felt it safe to assume that in the latter two public and commercial organizations are absent. In the area of sports clubs, commercial fitness and horse riding centres account for only a fraction of all activities.

The output measures confirm the large role of nonprofits in providing welfare state services. The share of nonprofits in specific activities in the areas of education, health care, social services and housing ranges from 60% to almost 100%. In higher education nonprofits house 6 out of 10 enrolled students, while 97% of residents in homes for the elderly live in nonprofit institutions. The other measures of welfare state services range in between these two. Nonprofits own and manage 70% of rented dwellings, care for 72% of patient days in hospitals, educate 75% of pupils in primary and secondary schools and accommodate 89% of residents in nursing homes.

The reported measures apply to specific activities, and the indicators need not be representative for the entire range of activities in each field. To allow a fairer comparison we compiled employment estimates for the entire field in which nonprofits are active (Table 6). The total employment estimates per field were derived from the national accounts. Since the classification in the national accounts does not always concur with the classification in the international project, we could not provide employment estimates for all fields. Nevertheless, the figures present a fairly accurate picture since the five fields for which the table presents data account for 94% of total nonprofit employment.

Table 6 Share of nonprofits in total fte employment per field, 1995

	Nonprofit share (%)
Culture and recreation	40.9
Education and research	65.1
Health care	70.4
Social services	71.0
Professional and business associations, trade unions	81.3
Nonprofit sector ^a	67.0

Based on the 5 areas of activity that account for 93.8% of nonprofit employment.

Again we find high shares of nonprofit activities in the welfare state services. The nonprofit share in total employment ranges from 65% in education to 70% in health care and social services. The employment share in cultural activities is considerably lower, at 41%. When measured in employment indicators, therefore, the nonprofit sector has an overall 'market share' of 67%.

2.2 Revenue structure

This section deals with the main sources of nonprofit income. For the nonprofit sector as a whole, public funding is the single largest source of income: almost 60% of nonprofit income comes from government and health insurance payments. Private earnings are the second most important source of revenue: fees, sales, dues and investment income make up almost 40% of nonprofit income. Private giving is the smallest contributor to nonprofit revenues, with a share of a little over 3% The revenue structure at the aggregate level of the nonprofit sector hides important variations at the level of sub-fields. Table 7 shows the distribution of income for the separate ICNPO groups.

Before discussing the results, we should state that the revenue figures are not as solid as the employment and expenditure data. The data on income were sometimes less complete and detailed than required, and the sources were not always clear on precisely what the reported revenue categories meant; for instance, the category 'other revenues' may contain a variety of income sources. On aggregate some 2% of the nonprofit revenues were 'other revenues'. In line with project agreements these funds were classified as private earnings. As a result of some other classification problems the category 'private giving' is probably underestimated. It was assumed that the category 'subsidies and contributions' dealt with state funds only. But from what we know on culture and recreation, this category may also refer to foundation giving. Another problem concerned the distinction between membership fees and donations. Fees fall under the 'private earnings' heading, while donations are classed as private giving. In many organizations the difference between these sources of income is not important or relevant. So our sources did not always contain the necessary information to make the distinction. Although it is not possible to define the magnitude of the bias, there are indications that the classification problems led to an underestimation of private giving, particularly with respect to foundation giving and individual donations. Nevertheless, our figure for private giving of 3.4% based on institutional estimates is not very far off the mark: a recent survey into private giving suggests a percentage of 5% (Schuyt, 1997).

At the aggregate level, then, private giving is not very important. However, for specific fields of nonprofit activity the revenues from private giving are more considerable. Religion for example is largely dependent on voluntary contributions from its members. Note that these contributions, which account for over 80% of church income, are regarded as donations or gifts and not as (membership) fees, although they are donated by members. Individual donations are also significant for international activities. A large part of this group's expenditures are transferred either to other organizations or to other countries. There is a striking similarity in the comparative share of private giving in the groups that are dominated by membership organizations. In culture and recreation, environment, civic and advocacy, and professional organizations the share of private giving amounts to about 10-15%. What divides these groups from international activities is that their expenditures are largely used to further the object of the organizations that receive the funds. According to our figures, private giving is very low or non-existent for education, health care, social services and housing. An explanation may be that donations and bequests are classified as 'other revenues' and therefore not recognisable as private giving.

Table 7 Sources of nonprofit revenues, 1995

F	Public payments	Private giving	Private earnings
Culture and recreation	27	8	65
Education and research	91	1	8
Health care	96	1	3
Social services	66	3	31
Environment	23	16	60
Development and housing	7	0	93
Civic and advocacy organizations	4	11	85
Philanthropic intermediaries and voluntarism promot	ion 0	3	94
International activities	45	35	20
Religion	0	82	18
Professional and business associations, trade union	s 0	10	90
Nonprofit sector	59	3	38

Private earnings are the second main source of revenue. Their share in nonprofit income for the entire nonprofit sector is 38%, though in certain sub-fields the share is significantly higher. The large amounts of private earnings in culture and recreation, environment, civic and advocacy, and professional organizations is mainly due to membership dues. Rent or lease income is responsible for the high share in housing, which at 93% is the highest recorded share of private earnings of all groups. Revenues from the sale of lottery tickets are the reason for the relatively high share in philanthropy. Lotteries are legally obliged to distribute a large share of their earnings (60%) to what are deemed worthy causes. As a result, the main lotteries are run by the largest grantmaking foundations in the country. Client charges in education and health care are very low. These services are mainly financed either from tax revenues or health insurance premiums (see below). In social services the client fees (half of the cost price) for residents in homes for the elderly constitute the largest part of private earnings. Finally, investment income accounts for the 18% share of private earnings in religion.

On aggregate, public funds are the main source of nonprofit revenues. The same holds for many sub-fields of nonprofit activities. The main beneficiaries are education and health care which both receive over 90% of their revenues from public sources. The crucial difference is that health care receives mainly third-party (health insurance) payments, while revenues in education are direct statutory payments. Social services (68%) and international activities (45%) also receive large amounts of direct government support. In culture and recreation and the environment about one quarter of nonprofit income consists of government subsidies. The bulk of the government funds in culture and recreation are spent on cultural activities such as media, museums and libraries. The other groups have low levels of government funding. In housing the reported share is probably too low because of accounting practices that conceal the governmental contributions. Finally, philanthropic, religious and professional organizations receive no direct government payments at all.²¹

²¹ The figures for church restoration subsidies are included in the culture and recreation group (restoration of monuments).

The figures reported here do not include the hidden support from tax benefits. In general, nonprofits are exempt from corporation tax, unless they generate profits from commercial activities. The delivery of a number of specific services by nonprofits is exempt from value added tax (VAT); exempted services include health care, social work, sports, culture, radio, televison, education, and fundraising. The list covers virtually the entire nonprofit sector, so in practice nearly all nonprofits do not have to charge VAT on their services. Further tax benefits include the lower gift and death duties for nonprofits and the tax deductibility of private giving. Donations by individuals and companies are deductable from personal income tax (up to a maximum of 10% of gross income) or from corporation tax (up to a maximum of 6% of taxable profit). Nonprofits that serve a public interest, such as churches, philanthropic, cultural and scientific institutions are entitled to favourable tax treatment in respect of gift and death duties. The normal rate varies, depending on the amount, between 41% and 68%; nonprofits may qualify for a much lower rate of 11% (see 1.2.6.).

In conclusion, the nonprofit sector in the Netherlands is almost exclusively financed from collective funds and private earnings. Government funds and third-party payments account for 58% and private earnings for 38% of nonprofit revenues, the remaining 3.4% coming from private giving. Although our estimate of private giving may be slightly low (other estimates suggest a figure of 5%), it shows that the Dutch nonprofit sector is not based on charity; the size, composition and financing of the nonprofit sector show the dominance of organised solidarity over voluntary charity. This is a reflection of the sector's history and institutional place in society. The long tradition of private supply and public financing of services that we associate with the welfare state created the nonprofit sector that we know today.

Health care, education, social services and housing dominate the nonprofit sector in the Netherlands: they account for 84% of total expenditures, 91% of total value added and 90% of total paid employment. Since these groups are so dominant their sources of income determine to a large extent the revenue structure of the entire nonprofit sector. Breaking down the sector into the dominant four welfare state services and the other seven groups (Table 8) brings the intra-sectoral differences to light. As expected, the revenue distribution for the four welfare state services is rather similar to that for the nonprofit sector as a whole. Public funds account for 66%, which is somewhat higher than for the whole sector; private earnings make up 33%, which is slightly lower than for the nonprofit sector as a whole. Private giving is insignificant for these four groups as the share of less than one percent indicates.

It is interesting to note that, in contrast to the four welfare state services, the share of public revenues is much smaller for the seven other groups combined. For this part of the nonprofit sector, private earnings account for the majority of nonprofit revenues (64%), while public funds account for no more than 19%. The share of private giving in these groups' revenues, at 17%, is exactly five times higher than for the entire nonprofit sector.

Table 8 Key figures of the two sub-sectors: the four welfare state services and the seven other groups

	four welfare state services	seven other groups	
Share in total nonprofit			
Employment	90.3	9.7	
Volunteering	42.2	57.8	
Expenditures	84.1	16.9	
Value added	90.8	9.2	
Revenue share of:			
Public funds	65.7	19.2	
Private giving	0.9	16.7	
Private earnings	33.4	64.1	

At present, public funds make the largest contribution to nonprofit revenues at the aggregate level. This has not always been the case. The early nonprofits depended mainly on charity in the form of voluntary contributions of time and money from the clergy and wealthy individuals. In the early days government had a small and subordinate role. Since the late twentieth century and particularly since the Second World War, the funding role of government and third parties has increased. Given the recent trends of decreasing levels of government support, slimming down the welfare state, and increasing commercialisation, it is likely that nonprofits will attempt to generate more private earnings. Consequently, over the course of time there has been a shift from charity to solidarity and in the near future a shift is likely from solidarity to largely commercialised nonprofit activities.

2.3 Growth

For most fields we were able to draw up the growth record in a satisfactory way. Reliable or fairly reliable estimates could be made for almost 90% of nonprofit employment. This was the case for the large fields such as health care and education, and also for more than half of social services. The figures for culture, housing and religion were also based on reliable data. In the remaining cases the growth was either derived from related figures or assumed. Employment growth for social clubs and a part of environment were based on the growth of sports and recreation. The growth of other social services was assumed to be in line with the average growth rate of the activities that were measured. For international activities and (the majority of) advocacy growth was assumed. Luckily these fields represent a small fraction of total employment. As a consequence, these fields together only account for about 15% of our estimate of the overall growth in nonprofit employment.

Table 9 reports the changes in employment for the major ICNPO groups and for some sub-activities between 1990 and 1995. Most fields showed positive growth rates; only in a few fields or activities did employment decline over the five-year period. Overall, the growth in nonprofit employment was just over 5%. The growth rate in culture and recreation, which was one of the highest, received the largest boost from sports. Education, however, showed no growth at all. This was mainly due to the decline in secondary education employment (due to falling numbers of pupils), which cancelled

out the substantial increase for primary education. Health care was another sector that showed a considerable increase in employment. Mental health and nursing homes carried the largest part of this growth, while employment in hospitals remained stagnant. Social services employment grew at an above-average rate. Care for the disabled showed a particularly strong increase, but the other activities also grew substantially. Note that the growth in other social services (40% of employment in the group) is based on the average growth of the other activities (60% of employment in the field of social services). For development and housing, about two-thirds of the growth is attributable to the conversion of local government housing agencies into nonprofit organisations. If we list the fields where employment growth originated, we find that almost half the growth occurred in health care and an additional third in social services. Housing as well as culture and recreation each accounted for about 10% of the growth. What is remarkable is that the large field of education made no positive contribution to the increase in nonprofit employment.

Table 9 Changes in nonprofit paid employment, 1990-1995, by ICNPO.

	Employment (fte x 1,000)				
				Share of	
	1990	1995	Change (%)	growth (%)	
Culture and Recreation	23	27	15.6	10.5	
Arts and Culture	13	15	10.0	3.9	
Sport	5	7	33.8	5.3	
Social Clubs	4	5	10.0	1.3	
Education and Research	182	182	-0.1	-0.7	
Primary Education	65	71	9.4	17.6	
Secondary Education	91	85	-7.3	-19.2	
Higher Education	26	26	0.1	0.0	
Health care	266	282	6.1	47.3	
Hospitals & Rehabilitation	91	90	-1.0	-2.7	
Nursing Homes	53	59	9.9	15.4	
Mental Health	60	70	17.4	30.3	
Other Health	61	62	2.5	4.4	
Social Services	113	125	10.6	34.7	
Homes for the Elderly	50	53	6.6	9.6	
- Care for the Disabled	13	16	24.4	9.0	
General Social Work	2	3	10.5	0.7	
Other Social Services	48	53	10.2	14.3	
Environment	6	6	11.8	1.9	
Development and Housing	14	17	20.8	8.4	
Advocacy	4	4	12.5	1.3	
Philanthropy	2	3	5.6	0.4	
International	3	4	11.1	1.1	
Religion	8	7	-2.8	-0.6	
Professional	14	13	-10.5	-4.3	
Nonprofit Sector	635	669	5.4	100.0	

If we compare the structure of employment and expenditures between 1990 and 1995, we find a few substantial differences. Despite the variations in growth performance we reported in Table 9, the overall composition of both expenditures and employment has hardly changed (Table 10). The relative size of the largest nonprofit employers, health, education and social services, remained virtually unchanged. Another stable feature is the share of the nonprofit sector in total employment: this share was 12.9% in 1995 and 12.8% five years earlier. The share of nonprofit operating expenditures in GDP showed some increase, but only moderately. Overall, therefore, the economic significance of the nonprofit sector underwent little change between 1990 and 1995.

Table 10 The composition of nonprofit employment and operating expenditures, 1990-1995

	Fte paid employment (%)		Operating ex	penditures (%)
	1990	1995	1990	1995
Culture and Recreation	3.7	4.0	7.3	6.5
Education and Research	28.6	27.1	20.5	20.0
Health Care	41.8	42.1	28.0	27.6
Social Services	17.8	18.7	12.8	13.4
Environment	0.9	0.9	1.8	1.5
Development and Housing	2.2	2.5	20.3	23.2
Advocacy	0.6	0.6	1.6	1.3
Philanthropy	0.4	0.4	1.4	1.3
International	0.5	0.6	2.4	2.1
Religion	1.2	1.1	1.1	0.9
Professional	2.2	1.9	2.9	2.3
Nonprofit Sector	12.8	12.9	14.6	15.5

This point is further emphasized by comparing the overall growth rates of employment within and outside the nonprofit arena. The growth in nonprofit employment of 5.4% between 1990 and 1995 is slightly higher than the growth in the general economy, which remained at just under 5%. So nonprofit growth stayed more or less on a par with the expansion of jobs in the economy as a whole. In comparison to other countries, the expansion of nonprofit jobs in the Netherlands is modest. Elsewhere, the nonprofit sector grew two-and-a-half times as fast as the overall economy (Salamon, Anheier and Associates, 1999: 14). Employment growth in the nonprofit sector was much more favourable than in the public sector, which recorded a decline of over 2%. However, in comparison to the services sector, nonprofit employment growth was considerably slower; between 1990 and 1995 the rise in services employment amounted to almost 9%.

2.4 The Dutch nonprofit sector in comparative perspective

We will now look at the key figures of the Dutch nonprofit sector in international perspective. This enables us to see how special the Dutch case is. Are its main features very particular or very common? The fact is that the Dutch nonprofit sector is the largest in any of the countries studied in the Johns Hopkins Comparative Nonprofit Sector Project. Other important findings include the dominance of welfare services in nonprofit employment and the high share of public revenues in nonprofit income. An interesting

question is whether there is some sort of connection between the sector's relative size and its main features. In answering this question we will pay special attention to the comparison with other European countries. Before looking at the structure of employment and revenues, we take a closer look at the relative size of the nonprofit sector around the world in terms of employment. Besides looking at paid employment, we also report estimates of volunteering.

The Dutch nonprofit sector is very large by international standards. In fact, of all countries studied the Netherlands has the largest nonprofit sector. The previous section showed that the sector provides over 12% of total employment. Around the world the relative size of the nonprofit sector varies greatly from, for example, less than one percent in Mexico, to about 5% in France and Germany, 8% in the USA, and over 10% in Belgium, Ireland and the Netherlands. The relative size of the sector in the Netherlands is two-and-a-half times the overall 22-country average of 4.8%

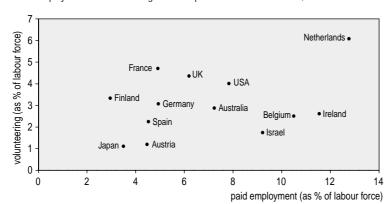


Figure 3 Paid employment and volunteering in the nonprofit sector in 13 countries, 1995

Employment in the Dutch nonprofit sector is also well above the figure in other European and developed countries. It is almost twice as high as the European average of 7%. If we look at the nine individual European countries included in the study, we can observe three size groups. The Finnish sector is clearly at the foot of the ranking with a relative size of 3%. The middle group consisting of Spain, Austria, France, Germany, and the UK ranges roughly between 5 and 6%. Then there is a clear gap to the top group where countries show relative sizes of over 10%. This group is topped by the Netherlands, with Ireland and Belgium close on its trail. What is striking is that the countries in Europe and around the world with large nonprofit sectors are all relatively small countries.

This does not mean that the nonprofit sector in the Netherlands is only large in relative terms. On the contrary, the Dutch nonprofit sector is also large in absolute numbers. A few examples will prove this point. The absolute number of nonprofit workers in the Netherlands is two-thirds of the number in France, while its population is only one quarter of that in France. The Dutch sector employs almost 40% more people than its

Spanish counterpart. Employment in the Netherlands is on a par with that in the nonprofit sectors of Austria, Belgium, Finland and Ireland combined. This indicates that the Netherlands is certainly not the smallest among the smaller nations. Comparable examples can also be given on the basis of revenue data. The absolute level of overall revenues of the Dutch nonprofit sector are for instance bigger than those of the French or Spanish nonprofit sectors. Also, the combined revenues of four smaller European countries (Austria, Belgium, Finland and Ireland) are well below the Dutch figures.

The nonprofit sector in the Netherlands is not only large in terms of paid employment, but also when volunteering is taken into account: the relative level of unpaid, voluntary labour is also the highest in the Netherlands (Figure 3). The Dutch sector thus combines high levels of both paid and unpaid labour. This is in contrast to some other large nonprofit sectors, notably in Israel, Ireland and Belgium, where volunteer input is much smaller.

Earlier we saw that the fields of health care, education, and social services dominate nonprofit employment in the Netherlands. These three fields are historically the classic areas of nonprofit action. However, since the rise of the welfare state they are now often seen as key areas of government action and referred to as welfare services. In many countries nonprofits have found a place in the provision of welfare services. All over the world, the majority of nonprofit employment is located in the three welfare services. The only exceptions are the former communist countries in Central Europe. In the Netherlands health care, education and social services account for nearly 90% of nonprofit employment. The share of welfare services is also very high in many other European countries, usually around 80% or higher. The lower figure for the UK (60%) seems to be the exception that confirms the rule.

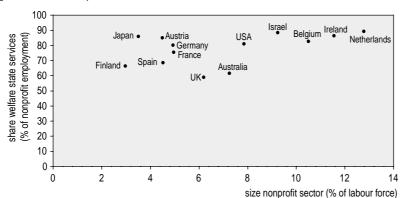


Figure 4 Size of the nonprofit sector and share of welfare services in the sector in 13 countries, 1995

The high share of welfare services in Dutch nonprofit employment is thus not a very typical feature. This point is also clear from Figure 4, which portrays the relationship between the size of nonprofit sectors and the share of public income in developed

countries. Note that the data refer to developed countries only and not to the overall group of 22 countries. This restriction is made in order to compare the Netherlands with other nations with welfare state arrangements. The graph shows that the share of welfare services in nonprofit employment is high in all developed countries. The share in the Netherlands is the highest of all, but the gap is not large, since most nonprofit sectors record shares of about 80% and above.

Despite these similarities in the relative share of welfare services, there are some significant differences in nonprofit employment structure between the European countries (see Table 11). Health is the largest field of nonprofit employment in the Netherlands. Its share of over 40% clearly outdistances the European average of 22%. No other country has a larger share in health care. In Germany, Belgium and Ireland health care is also a large and above-average source of nonprofit jobs. Again the UK is the exception with its very low share, which is of course due to the National Health Service. Education is the second largest nonprofit employer in the Netherlands. Its share of 28% is exactly on the European average. The differences are very large across Europe. The share of education is very high in Ireland, the UK and Belgium (40-50%), but relatively low in Austria and Germany (around 10%). Differences in social services shares are also considerable. Social services are the third largest nonprofit employer in the Netherlands. The Dutch share is clearly below the European average, as are the shares in Ireland, Belgium and the UK. Social services account for large shares of nonprofit employment in Austria, Germany and France. The share of culture and the other groups in nonprofit employment also vary from country to country. The Netherlands has the lowest share in both culture and the other groups. Here the differences with many other countries are not so large. The share of culture is also relatively low in Belgium, Germany and Ireland and the share of the other groups ranges around 10% in various nations. Thus from a European perspective, education and social services constitute the largest groups. One of these fields is the largest nonprofit employer in all European countries bar one. Only in the Netherlands does health care have the largest share in nonprofit employment. The exceptionally large share of health care is thus a typical feature of the Dutch nonprofit sector.

Table 11. The structure of nonprofit employment in EU countries, 1995 (% of entire nonprofit sector)

	1 1 7			`		,	
		Culture and		Health	Social	Other	Welfare
		recreation	Education	care	services	groups	services
Austria		8	9	12	64	7	85
Belgium		5	39	30	14	12	83
Finland		14	25	23	18	20	66
France		12	21	15	40	12	76
Germany		5	12	31	39	13	81
Ireland		6	54	28	5	8	86
Netherlands		4	27	42	19	7	89
Spain		12	25	12	32	19	69
UK		24	41	4	13	17	59
EU average		10	28	22	27	13	77

Public revenues are the main source of income for the Dutch nonprofit sector, representing almost 60% of total income. Fees make up for a little under 40% and the remaining 3% is covered by private giving. The high share of public revenues is also not uncommon in other European countries. In fact, public money is the main income source of the nonprofit sector in no less than seven out of the nine European countries included in the study. In the two remaining nations, Finland and Spain, fees are the main source of revenues. The relative share of public revenues in the Netherlands is just above the European average and in between the shares of France and Germany. The share is relatively low in Finland and Spain, and relatively high in Belgium and Ireland. In the latter two countries the public share amounts to over three-quarters of total revenues. Private giving is a relatively unimportant source of income nearly everywhere in Europe, except for Spain where giving represents almost 20% of nonprofit revenues. In the other countries the share stands close to 5%. Germany and the Netherlands record the lowest shares. Private fees are the main source of income in two European countries (Finland and Spain) and well above the European average in two other countries (UK and Austria). In fact, the Dutch share is also higher than the European average, but only marginally. Finally, fees are relatively unimportant in the two countries with the exceptionally high share of public revenues: Ireland and Belgium.

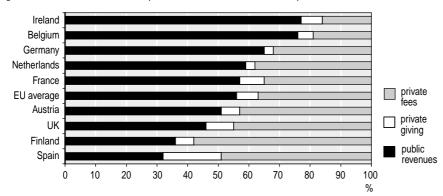


Figure 5 Revenue structure of the nonprofit sector in 9 countries of the European Union, 1995

Within Europe, then, three countries have a higher share of public revenues than the Netherlands with a smaller nonprofit sector. The gap between the share in the Netherlands and that in other large nonprofit countries such as Ireland and Belgium is considerable (59% verus 77%). These findings do not support the notion that the Dutch nonprofit sector is so large because of its high share of public revenues.

On a global scale, there appears to be a correlation between size of the nonprofit sector and the share of public revenues. The nature and direction of the correlation is not obvious, however. On the one hand, public payments may enable the nonprofit sector to grow. On the other hand, (already) large sectors may be in a good position to seek and secure substantial public support. For the Netherlands, both propositions are true,

while the former has probably been the main influence. Figure 6 portrays the correspondence for the entire group of 22 countries included in the international study. As can be seen, small nonprofit sectors have lower shares of public revenues while large sectors have higher shares. Note for instance the small public contributions in Latin American nations and the relatively high shares in Western European countries. Although the Netherlands has the largest nonprofit sector, the share of public revenues is not the highest. In fact, the public resources are higher in no less than four other countries: Germany, Israel, Ireland and Belgium. Judged by its share in public revenues, the Dutch nonprofit sector could thus very well be medium-sized instead of the largest among the countries examined.

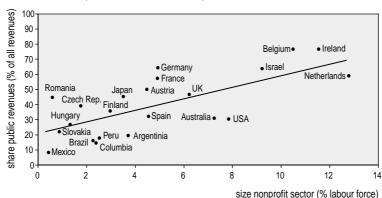


Figure 6 The size of the nonprofit sector and the share of public revenues for the sector in 22 countries, 1995

The international comparison shows that the main features of the Dutch nonprofit sector are not really unique, but are in fact fairly common. The relatively large size of the Dutch nonprofit sector (the largest of all countries studied) does of course stand out. On the other hand there are some other countries with very large sectors, such as Ireland, Belgium and Israel. The comparison reveals that characteristics such as the dominance of welfare services or the high share of public revenues are not very typical for the Dutch case. These features are shared by several other countries. The relative size of the nonprofit sector in the Netherlands does not seem to be connected with relative differences in the composition of nonprofit employment and revenues. All over the world welfare services account for very high shares of nonprofit employment regardless of the sector's relative size. This is particularly true for developed countries, where many small and large nonprofit sectors show employment shares of over 80%. Although we did find something of a connection between relative size and the share of public revenues, this did not apply specifically for the Netherlands. One might say, without making inferences on the direction of any causal relationship, that the size of nonprofit sectors tends to coincide with the share of public revenues in nonprofit income. This was particularly true for countries with large sectors such as Ireland and Belgium, as well as for countries with smaller sectors such as Mexico, Finland and Spain.

In the Netherlands the share of public revenues was more in line with that in France and Germany, two countries with medium-sized nonprofit sectors. Considering its large size, the share of public revenues was not so high in the Netherlands.

2.5 Giving and volunteering

No special CNP giving and volunteering survey was conducted in the Netherlands, because much information was already available on volunteering, and a project on 'Giving in the Netherlands' (Schuyt et al. 1997, 1999) was under way at the time that the Dutch project was set up and funded. In the preceding sections, the best possible estimates of private giving and volunteering have already been included as inputs and revenues of the nonprofit sector.

In this section we will present a concise overview of major institutional data and survey findings about giving and volunteering, primarily considered from the perspective of the donator or volunteer, rather than as resources of the nonprofit sector. The reliability of survey data in this field is debatable for a number of reasons. Selective non-response (there are probably more volunteers among the people who 'volunteer' as respondents) and a response-bias because of the social desirability of altruistic behaviour are the main reasons to expect over-reporting of donations and volunteering in surveys. For that reason institutional data were preferred for making estimates of the absolute levels of donations and voluntary labour for the sector. However, when survey data are presented in a comparative and longitudinal framework, they can offer dependable information about proportional contributions in the population and about trends.²²

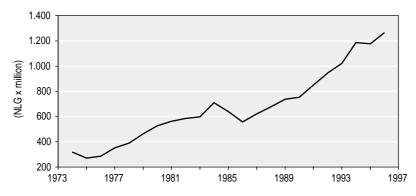
2.5.1 Giving

We start with long-term institutional data. Figure 7 shows the income derived from collections, mailing actions, sponsored walks, etc. by charitable, cultural, scientific or other organizations seeking to serve the general good. The figure shows a strong increase in giving.

More information about private giving in 1995 and 1997 was gathered by Theo Schuyt (1997, 1999) and associates from the Vrije Universiteit Amsterdam. Table 12 shows the results of their 1996 household survey. Most private money was donated to religious institutions. Very little was given to education, research, culture and the arts: most people might consider these areas to be already covered by tax revenues spent by the government. Making donations appears to be related to family income (positive), church affiliation (Calvinists more than Catholics), church attendance (positive) and to urbanization (negative).

²¹ Reliable comparisons over time and between sections of the population assume that distortions over time and between groups of respondents are relatively stable. This assumption cannot be taken for granted. It is not inconceivable that people today are more inclined than in the past to say that they 'do something', and it is very possible that such a trend is stronger amongst young people than among older respondents.

Figure 7 Revenue from fundraising by organizations with idealistic aims (NLG x million)



Source: Schuyt (1997)

However, people with no religious affiliation and those in the big cities in the west donate more to environment and nature. Data from 1997 compared to 1995 suggest a small overall decrease in private donations from 2.8 to 2.6 billion Dutch guilders. Decreases in the areas of health and medical research and sports and leisure were not offset by increases in the areas of the environment/nature, education and the arts/culture (Schuyt 1999: 42).

Table 12 Money donated by individuals in 1995

, ,			
	NLG x million	%	
religion and philosophies of life	1,175	42	
health and medical research	559	20	
internation aid and human rights	503	18	
environment, nature and wildlife	214	8	
sports and leisure	122	4	
general social aims and funds	167	6	
arts and culture	30	1	
education and research	41	1	

The most popular means of giving still is the door-to door collection, but lottery and raffle tickets for charitable purposes are becoming more popular (Burger et al. 2000). The amounts collected by idealistic organizations increased between 1990 and 1996 by 28% from collections and 19% from mailing actions. The Central Bureau for Fundraising (CBF) estimated that only 7% of Dutch citizens never contribute to any charitable cause. About half the population can be considered as regular donors.

2.5.2 Volunteering

For volunteering, no institutional data are available for the complete nonprofit sector or for single areas. Figures are known for a number of nonprofits – especially for the larger voluntary associations, for samples of institutions such as hospitals (cf. Van Dam et al. 1998) – but these data do not form a sound basis for sectoral estimates. The following is based on survey data only.

Policymakers and researchers in the Netherlands are in agreement in defining voluntary work as 'non-compulsory and unpaid work that is performed in some form of organised context for the benefit of others or of society'. The 'organised context' distinguishes volunteering from informal help, but this distinction is probably not very relevant to most people, and it is often not very well operationalized in survey questions. Survey questions about voluntary work can focus attention more on administrative or supporting activities, can focus to a greater or lesser degree on 'others' and 'society' (rather than the respondent's 'own' club), and so on. A question on the average amount of time given will focus the respondent's attention more on regular activities and thus exclude more people who give their time on an incidental basis (but not necessarily less time per year). Questions about participation in specific activities for individual organization types or in specific sectors can be useful for creating a more detailed picture of the fields of voluntary work, but will be accompanied by a relative underestimate of voluntary work which is not mentioned explicitly. In addition to differences in question formulation, the context and the order in which questions are put in surveys probably plays a role too. In the context of questions about paid work and other activities, a question about voluntary work will be answered differently from when it comes after a series of questions about norms and values or political involvement. It will come as no surprise that estimates of the percentage of volunteers vary widely. Research in the late eighties and nineties has found percentages of between 18 and 46 per cent of the adult Dutch population (Dekker 1999). Of itself it does not much matter that different questions produce different results, as long as these percentages can be considered in a comparative framework or time series.

Cross-national research, such as the European (or World) Values studies of 1980/81 and 1990/91 and the Volunteers in Europe Study of 1994, show relatively high levels of volunteering in the Netherlands: close to the Scandinavian countries, lower than in North America but somewhat higher than in its neighbouring countries and much higher than in Southern Europe (Gaskin and Davis Smith 1995, Dekker 1998). The Volunteers in Europe study includes information about the institutional setting of volunteering. A large majority of volunteers work in nonprofit organizations (83%; 10% in a state-run organization and 7% unknown), less than in Sweden (90%), but more than in Great Britain (73%) and Germany (71%). This survey also shows Dutch volunteers being relatively active in the area of sports and recreation, and less active for religion (Dekker 1998: 134). According to several longitudinal Dutch surveys, the recreational sphere and areas relating to children are the most important sectors for voluntary work, and are probably still growing (SCP 1997: 504-516, Van Dam et al. 1998, De Hart and Dekker 1999).

Table 13 portrays trends in voluntary work according to the Time Budget Surveys (TBS) carried out by SCP and others. Voluntary work is measured in two ways in these surveys: by answers the participants give in a questionnaire which asks them about the performance of unpaid work during their free time in a number of areas, and by the activities they register for quarters of an hour in a diary they keep for a week in October.

As volunteering time in the diary we consider 'voluntary work and unpaid help for non-family members' and a number of activities for voluntary organizations, religious organizations, politics and interest representation.

Table 13 Volunteering: numbers of volunteers and time spent by volunteers, population aged 18 and over, 1980-1995

	1980	1985	1990	1995	
volunteers according to questionnaire ^a (%)	45	43	41	47	
volunteers according to diary (%)	33	32	29	32	
time spent by 'diary' volunteers (hours per week)	4.3	4.8	5.2	4.9	

a Based on 13 sectors in 1980 and 16 setors from 1985 on.

Source: Time Budget Surveys; weighted results

Both TBS-series suggest a high degree of stability in the participation in voluntary work. The diary method consistently records a substantially smaller percentage of volunteers than the questionnaire method. This does not mean that respondents supply incorrect answers *en masse* to the questions; there is also voluntary work which is not performed every week and which by chance does not fall within the October week covered by the TBS. Do trends vary in different sections of the population? Table 14 shows the percentage of 'diary' participants in voluntary work for a number of population categories and the time spent on those activities in 1980 and 1995.

Table 14 Volunteering according to the diaries: numbers of volunteers (% of population) and time spent by volunteers (hours per week), population aged 18 and over, 1980 and 1995

	% volu	ınteers	hou	urs	
	1980	1995	1980	1995	
entire sample	33	32	4.3	4.9	
men	36	31	4.6	6.0	
women	29	33	4.0	4.0	
18-34 years	30	22	4.3	4.5	
35-54 years	37	39	3.8	5.0	
55 and older	33	36	5.2	5.3	
primary education	28	27	4.0	4.7	
secondary	38	34	4.3	5.3	
tertiary, university	47	36	4.9	4.4	
no church affiliation	25	23	3.9	4.7	
church members	27	34	4.4	4.7	
regular churchgoers	51	57	4.6	5.5	
(ditto, except volunteering for religious organizations)	(38)	(40)	(4.1)	(4.4)	

Source: De Hart and Dekker (1999:86); weighted results of Time Budget Surveys 1980 and 1995

As table 14 shows, women became more active and men became less active as volunteers between 1980 and 1995. Further analysis reveals a strong increase among housewives without an occupation outside the home. Survey findings vary somewhat on sex differences in volunteering. Often no difference is found. Within specific subpopulations, however, there are sometimes very considerable sex-related differences. Large differences are also found in areas of volunteering. Generally speaking, men are more often active on behalf of professional bodies, in the articulation of interests and in the sports and hobby sphere; women are particularly active in the fields of education and development, in child care, in women's organizations and in unofficial advice and help. As regards membership patterns, women are less often members of organizations, but when they are members they appear to be as active as men.

Age differences became more pronounced between 1980 and 1995. A clear split became apparent between the youngest group of adults, who form the least active category in 1995, and the population aged 35 and over, where the degree of participation has remained the same. Although some reduction in the amount of voluntary work performed by young people may be the reason for the concerns about the future of voluntary work, the relative absence of this age group in the data is more likely to be evidence of a difference in stage of life than a generation difference. In most surveys, a curvilinear relationship is found in terms of age, with young and older people doing less than those in the middle age categories. This overrepresentation of the middle age groups probably has to do with the voluntary work that is done as an extension of paid work and because of the respondents' own children (helping out at school or at the sports club).

Differences between levels of education weakened over the period. In 1980 those who had enjoyed higher education formed the most active group of the population, but 15 years later this had ceased to be the case. Their percentage participation fell in the intervening period by over 11 percentage points, while it remained about the same for the other education categories. Against the general trend of an increase of time invested in voluntary work, the time devoted by the higher educated volunteers fell by an average of half an hour per week.

The churchgoing section of the population provides a comparatively large number of participants in voluntary work in both years, even after activities for the benefit of religious organizations have been excluded. They may have begun to concentrate more on activities in a church or church-related context.

A combination of data from the diaries and the questionnaires reveals that in 1995 44% of the population does no voluntary work, 24% does voluntary work according to the questionnaire only, 23% according to both sources, and 9% according to the diary, but not in any of the areas of unpaid work mentioned in the questionnaire. The latter group may result from the fact that the explicit 'voluntary work' category in the diary also includes informal help, and that some of the other categories of organizational involvement are considered as serious enough to be regarded as 'unpaid work' in the questionnaire. The 23% of the population who volunteer according to both sources spend 5.7 hours on voluntary work in the October week.

Our estimate in Section 2.1 of the amount of voluntary work delivered in 1995 is based on this group.²³ Compared to results from other surveys,²⁴ it is a conservative estimate, but in view of the reasons mentioned earlier for over-reporting in surveys, it is probably the most realistic one.

About half the TBS 'questionnaire volunteers' are active in more than one of the 16 sectors of unpaid work mentioned in the survey. If the total time investment of a volunteer in the October week is divided into equal parts between the number of sectors he or she is involved in, we obtain a rough estimate of the amount of unpaid labour per sector. Big sectors are activities related to schools and children (21%), sports (19%), religion (14%) and culture (13%). However, with the TBS-categories, we cannot get close enough to the CNP-sectors. For that reason, in Section 2.1 the estimated total amount of voluntary work in 1995 has been divided over categories according to the sectoral distribution of volunteers in the Volunteers in Europe Study of 1994.

2.6 Theoretical implications

A number of theories have been put forward to explain the size, scope and funding of the nonprofit sector. The features of the Dutch nonprofit sector that call for an explanation include the relatively large size of the sector, the dominance of three welfare services (health care, education and social services), and the marked dependence on public support. Recently, Salamon and Anheier (1998) published a survey of nonprofit theories and an empirical test based on data from seven countries (not including the Netherlands). We shall see that the Netherlands is a fertile seedbed for nonprofit theories. In fact, one of them, James' theory on religious entrepreneurs, was directly based on the Dutch experience. Here we will deal with the most widely supported or promising theories and apply them to the Dutch case.

²³ The estimate of volunteering in full-time equivalents was based on the 23% of the adult population volunteering almost six hours in the TBS-week. We took into account here the data mentioned earlier from the Volunteers in Europa Study, in which 83% of the volunteering respondents indicated that they volunteered in a nonprofit organization, 10% in a state-run organization and 7% unknown (commercial organizations being negligible). So 2.769 million people times 5.6 hours per week, times 52 weeks, results in a grand total of 802 million hours volunteered. By taking the nonprofit share of that number (83/93) and dividing it by 1760 hours for a full-time working year, we arrive at a figure of 406,000 full time equivalents of volunteering. The underestimation of the number of volunteers (only half of all 47% 'questionnaire volunteers' are active in the week of the diary) is counterbalanced by an overestimation of their time-investment over the year (many of those active in the diary week will be inactive in the week before or after).

²⁴ The yearly 'Cultural Changes in The Netherlands' oral survey conducted by SCP contains the following question: 'How many hours per week on average do you spend doing voluntary work, i.e. unpaid work on behalf of or organised by an institution or association?' In the years 1993-1997 between 26 and 30% of the respondents aged 18 and older registered 1 hour or more per week, on average between 6.5 and 6.8 hours.

²⁵ The distribution of volunteers between the 21 sectors in the Volunteers in Europe Study 1994 generally matches well with the distributions found in an identical classification in 1996 and 1999 (Schuyt 1999: 76). Differences as regards similar categories between these distributions and the TBS distribution may be explained by the number of categories: in the smaller TBS classification in particular 'culture', 'religion' and 'youth' may function as residual groups.

The analysis will be of a qualitative rather than a quantitative nature. It will turn out that these theories have a clear relevance in explaining the existence or the emergence of the nonprofit sector in the Netherlands, but fall short in outlining the persistence of nonprofit solutions in a changing society.

2.6.1 Heterogeneity

The heterogeneity theory reveals why nonprofits exist in the first place and adds some clues about the sector's size as well. The basic reasoning behind this theory is essentially an economic explanation for the very existence of nonprofits (Weisbrod, 1997). In this view the market cannot supply certain 'public goods' and the public sector cannot supply them either, because of differences in preferences or taste for a particular good on the part of the consumers, or because of differences in opinion about which 'public goods' to supply. Following the failure of the market and government, nonprofits will finally step in to meet the unsatisfied demand. This theory also predicts the relative size of the nonprofit sector across countries. The problem of government failure is expected to be larger in societies with a high degree of heterogeneity, as measured by religious, linguistic or ethnic diversity, so these societies are likely to have a larger nonprofit sector.

The case of the Netherlands appears to supply empirical evidence for this theory. The country boasts a relatively large nonprofit sector which may be explained by the religious diversity. Religious heterogeneity has been an important factor in the development of the Dutch nonprofit sector, as seen in the section on the history of the sector. The Netherlands has a long and ongoing tradition of religious diversity, from the advent of Protestantism in the sixteenth century to the rise of Islam in recent years. The importance of religion has decreased in recent years as an ever-increasing part of population considers itself not affiliated to a church. At the start of the nineteenth century, about 60% of the population was considered Protestant and 40% Catholic. At the start of the twenty-first century, 40% of the population is non-religious. That leaves a majority of 60% who still consider themselves religious: 32% Catholic, 22% Protestant, 5% Islamic, and 3% other.

Linguistic and ethnic diversity explain little of the nonprofit sector's size. Although the Netherlands is officially bilingual (Dutch and Frisian), the minority language is spoken in a single province only. Besides, most of its speakers have more than a working knowledge of the mainstream language. Ethnic diversity does not play a large role either, despite the fact that the Netherlands has been a country of immigration for a very long time (Lucassen and Penninx, 1994). However, ethnicity was never a major issue and few nonprofits have emerged along ethnic lines. Recently, some new nonprofit organizations have emerged particularly in the areas of advocacy and refugee aid. The last thirty years or so have seen a further diversification in the ethnic and racial structure of the population as a result of decolonisation, the influx of migrant workers (and their families), and refugees. These organizations occupy a niche in the sector. In contrast to religion, therefore, ethnicity has not been a major factor in shaping the nonprofit sector.

2.6.2 Role of religion and religious entrepreneurs

Another theory that assigns (religious) diversity a central role focuses on the suppliers of nonprofit services. Whereas the heterogeneity theory focuses on the unsatisfied demand for public goods, this theory also looks at the suppliers of nonprofit services, the 'nonprofit entrepreneurship'. The existence of unsatisfied demand alone is not enough for the development of a viable nonprofit sector. In the absence of nonprofit entrepreneurs, a situation of nonprofit failure could arise. James (1989) found that around the world religious groups are the main founders of nonprofit agencies, particularly in education and health care. Religious groups have an advantage over other ideological groups in establishing nonprofit agencies because they usually have access to unpaid or volunteer labour (church community) and donated money.

This theory applies very well in the Dutch case. In fact, James based her findings to an important degree on the experiences in the Netherlands. Religion and religiousness have been of major importance for the Dutch nonprofit sector. Its early origins can be traced to the Church-related activities in poor relief, health care and education. Religious considerations inspired the founding of the early nonprofit organizations. A religiously inspired sense of compassion and perhaps the drive to save souls motivated churches or religious orders to set up poor relief, education and health care arrangements. The various churches had institutions of their own. As soon as religious diversity occurred in the sixteenth century, the religious nonprofit organizations reflected the diversity. For instance, in poor relief it was customary to turn to the church one adhered to for support. In addition, the religiously inspired pillarization at the beginning of the twentieth century boosted sectarian nonprofit activities. So religion was a major factor in the creation and development of the Dutch nonprofit sector.

The role of religion in the nonprofit sector today is limited. There are still many denominational nonprofits but in many cases the denomination does not show or does not matter. Religion still matters in private education, for some welfare organizations and for some of the major international assistance organizations. The latter are the only ones that are (still) closely related to churches, while the others are private organizations in their own right.

It is important to remember that the Dutch nonprofit sector not only has religious origins. A significant part originated from non-religious and non-sectarian initiatives. A sectarian but non-religious component that has received little attention in our discussion is the socialist pillar. From the end of the nineteenth century socialist organizations emerged in the field of politics, trade unions, newspapers, broadcasting associations and housing organizations, but not in education and health care.

The non-sectarian origins of the Dutch nonprofit sector are also important. The *Nut*, established in the 18th century, was a non-sectarian humanistic organization that became active in many areas such as education, social work, poor relief, health insurance and banking (Veldheer/Burger, 1998). Many new private hospitals in the nineteenth century were non-sectarian. The home nursing organizations, for example, started on a non-sectarian basis, and this continued to be the case for most of them even after the spread of pillarization. Today many nonprofits are non-sectarian, and their number is likely

to grow even further. Some of them are the result of mergers between denominational agencies. Privatised government departments are also mainly non-sectarian. The largest nonprofit organization in the Netherlands is also non-sectarian (the Royal Dutch Touring Club, ANWB).

2.6.3 Interdependence theory: the role of the state

The relations between the nonprofit sector and the state have a prominent place in a number of theories. One line of theory argues that an inherent conflict exists between the state and the nonprofit sector. In this view, which is known as the 'paradigm of conflict' (Salamon, 1995), the expansion of the state inevitably means the weakening of the nonprofit organizations, and nonprofits by their very nature stand in opposition to the state. Another line of thought takes an opposing point of view by emphasizing the cooperation, partnership and interdependence between the nonprofit sector and the state (Salamon, 1987). This view draws attention to the important role of the state in the development and growth of the nonprofit sector. As many historical overviews indicate, nonprofits were often active in a field before government stepped in. Nonprofits also mobilised support for the expansion of collective services and provided them. Another reality concerns the financial ties between the state and the nonprofit sector. In many countries the state subsidises the nonprofits and thus stimulates its development.

Viewing the development of the Dutch nonprofit sector in historical perspective, we conclude that the relationship with government is better characterised by cooperation than conflict. In general, there has been a positive government attitude towards private initiatives. Unlike in France, there has never been a strong centralistic state nor an open aversion to nonprofits (see Archambault, 1996). The country has its origins in a loose and decentralised federation. Faced with new challenges, the state often took a liberal laissez-faire position, whereby many new issues were voluntarily left to the private sector. In the last hundred years the state has increased its support for the nonprofit sector. In some cases, such as education, the support was only granted after a fierce political dispute, while in other cases, such as the home nursing organizations, support was given because the state acknowledged the results of the nonprofits in fighting infant mortality and tuberculosis. This is a typical example of an activity pioneered by nonprofits that government subsidises in order to help the nonprofits expand their activities. Along with the increase in financial support, the nonprofit sector became less independent and more vulnerable. The sector's weaknesses became apparent when government decided to cut back.

Government has encouraged the nonprofit sector in different ways. First of all there is the favourable tax treatment of nonprofits: in general, nonprofits are exempt from corporation and value added tax and are subject to a more favourable gift and death duties regime. In addition, individuals and companies that give money to nonprofits may deduct the donations from their taxable personal or corporate income (see the legal section for details). Secondly, the legal status of a nonprofit has often been a condition for qualifying for public or government subsidies and grants. Finally, government has in recent years privatised some of its agencies and transformed them into private nonprofits. For instance, soon there will be no more government social housing and health providers.

Government financial support to the nonprofit sector takes different forms. The three main forms are statutory payments, grants or subsidies, and the receipts from a quasitax in health insurance. The relative importance of these financial sources varies in each field. Statutory payments, for example, are very important in education, while subsidies are prevalent in culture, sports and recreation. Public financial support for nonprofit organizations has a long history: we have sixteenth-century examples of local governments subsidising the religious poor relief institutions in times of adversity. Notwithstanding these and other examples, the financial support of government to nonprofits is mainly an issue of the last hundred years or so. From then on the state increasingly showed its concern for the social question invoked by the rise of industrialisation and urbanisation. The support for social housing and home nursing organizations are examples of this.

A notable feature of the relationship between the state and the nonprofit sector in the longer run is the expansion of state or public support. Another change concerns the shift in support from local authorities to national government. What has not changed much is the interdependence between the state and the nonprofit sector. Private groups and organizations, mostly with a religious identity, played a leading role in the emergence and growth of the Dutch nonprofit sector. At the same time, it has also emerged that municipal authorities were involved in activities developed by private initiative at a very early date. In some areas of endeavour – particularly poor relief, education, health care and the guild system – the local authorities (in this case the city governments) were fairly tightly interlinked with private initiative. This notwithstanding, the general picture remains that the origins of the Dutch nonprofit sector lay in private, confessional initiative, and that later, in the 17th and 18th centuries, non-religiously inspired movements such as the progressive liberals also undertook action as part of a 'bourgeois civilising offensive'. Although up to this time the public authorities did play a role, their involvement was fragmentary and inconspicuous. It was not until the second half of the 19th century that the national authorities started to gain significant influence in the nonprofit sector. That influence has been growing steadily ever since. Very recently, there have been moves towards a more hands-off approach on the part of government.

One of the most crucial features of the nonprofit sector has thus been the deep intertwining between private initiative and local, and later the national, authorities. Although the intensity of their interaction was different in each sector, it can certainly be regarded as a characteristic feature of the whole nonprofit sector in the Netherlands. We have found very early evidence of such interdependence in the history of health care, poor relief and education, while in areas such as welfare work and culture it arose at a much later date. This intertwining of the state and private initiative in the nonprofit sector remains a vital factor in its functioning today.

2.6.4 Social origins

The social origins theory suggests that the size and structure of the nonprofit sector is the result not of a single factor but of a complex set of social and political forces that reflect the broad social and political environment. This line of thinking, also known in other fields as path dependency, has a keen eye for a country's institutional settings,

its historical development, and the inherent limitations in institutional choices. The social origins approach to the nonprofit sector has been proposed by Salamon and Anheier (1998). It employs a similar mode of analysis to Barrington Moore's (1966) classic work on the origins of democracy and dictatorship and Esping-Anderson's (1990) distinction between welfare state regimes. These phenomena were the result of the complex interrelationships among social classes and social institutions, which are a reflection of the balance of power in societies and its changes over time.

Salamon and Anheier (1998) discern four models of nonprofit development, each recognisable by the size of the nonprofit sector and of government social welfare expenditures. Limited government social welfare spending and a large nonprofit sector characterize the *liberal model*. This outcome is most likely where middle-class elements are clearly in the ascendance, and where political opposition from traditional landed elites or strong working class movements has either never existed or been effectively held at bay. This leads to significant ideological and political hostility to the extension of government social welfare and a decided preference for voluntary approaches instead. The USA and the UK serve as examples of this model.

The opposite of the liberal model is the *social democratic model*, which induces a small nonprofit sector and considerable government spending on social welfare schemes. This pattern is likely to be most common where working class elements are able to gain effective political power, albeit typically in alliance with middle class or other elements. The result is to establish the state as the principal provider of social welfare schemes and to limit the growth of the service-providing nonprofit sector. Nonprofit organizations can still play an important role in such settings, but more as vehicles for the expression of political, social or even recreational interests. Sweden is the epitome of this model.

High levels of government social welfare spending and a large nonprofit sector are the typical features of the *corporatist model*. This pattern is most likely where landed elites or other traditional elements (e.g. the Church) retain considerable power and where pre-modern social institutions, such as nonprofit organizations, consequently retain a substantial role even as state-sponsored social welfare protections expand. The state and the nonprofit sector have a highly interdependent relationship leading both to expand hand-in-hand. This type of nonprofit sector can be found in Germany.

Finally, low levels of government expenditures and nonprofit expenditures characterize the *statist model*. In this model the state retains the upper hand as no effective forces emerge to channel its power. It exercises its powers on its own behalf, or on behalf of business and economic elites. In such settings, elites are able to keep government social welfare protections limited without feeling obliged to create a sizable private nonprofit sector either. Japan represents this model.

Looking at the characteristics of the nonprofit sector in the Netherlands, we find that the Dutch case falls within the corporatist regime that combines high levels of social welfare spending and a sizeable nonprofit sector. This conclusion also holds when the underlying social forces are taken into account.

Traditionally the aristocracy was relatively weak and did not play a very important role in the shaping of society. It was particularly the clergy and the bourgeoisie (merchants and urban professionals) that could be named as prominent 'society-builders.' For a long time they were the twin powers, partly because the working class was not well organised and the aristocracy was not very strong in terms of size or societal impact. In the second half of the 19th century this changed as a result of the industrial revolution.

The antithesis between capital and labour was operationalized in terms of captains of industry versus working class heroes. Political parties came into being, organised along the lines of these interests plus the religious dimension. Three main streams manifested themselves: the socialists, the liberals and the religious parties. The power of government, local as well as national, was steadily growing. A new class of civil servants arose. The intertwining between the state and society increased as well. At the end of the 20th century this intertwining reached its peak and nowadays there is a tendency within politics to withdraw from society and leave more matters to the public and the market as much as possible.

These changes in the structure of Dutch society have had some impact on the functioning of that society. First of all the role of local and later national government grew gradually from marginal via prominent to dominant during the course of two centuries. This steadily growing involvement (interference) with society has also had some impact on the nonprofit sector. Although for a long time the principle of subsidiarity was adhered to, especially in the field of culture and education, the financial commitment of the state, for example through poor relief, eventually led to more control by the state. The authority of the central government gradually increased and the nonprofit sector came more and more within the sphere of influence of the government. A borderline is hard to draw.

Secondly there is the interference of the elite bourgeoisie with the education of the people, which took place on a relatively large scale in the 19th century and gradually diminished in the 20th. State-financed schools came into place, and every pillar had its own schools. The Dutch sociologist Van Doorn has summarized this process of subsidiarity and of state involvement – primarily financial – concisely as: 'Being master of your own house and the house being a public charge' (Van Doorn 1977). This brilliant formula was possible due to the fact that the leading politicians belonged to the religious parties that dominated the political process at that time. As stated earlier, this was the heyday of the pillarization in the Netherlands.

These developments did not leave the nonprofit sector untouched. Because of the growing financial commitment of the government in the ins and outs of the nonprofit sector, there was a growing desire by non-religious politicians – and civil servants – to play a role in the decision-making within the sector. They campaigned under the slogan 'He who pays the piper, calls the tune'. In other words when you finance organizations in the field of social work, community work, or health care, for example, you should have a say in the activities of those organizations. Gradually some governmental involvement developed, but in general the authority and professional autonomy of the nonprofit institutions remained unaffected.

2.6.5 Conclusion

The Netherlands is a goldmine for nonprofit theorists. The development of the Dutch nonprofit sector provides evidence to support many nonprofit theories, as the discussion has shown. Scholars who emphasize the role of the state, religion or religious diversity and the broad social and political environment may find ample support. What is important to point out is that these theories cannot entirely explain the size and scope of the Dutch nonprofit sector. Another important point to make is that not all factors are of equal importance in every field of nonprofit action and at every point in time. Experiences in sub-sectors and in specific historical periods may deviate from the general picture.

In the case of the Netherlands the theories of social origins and religious entrepreneurs seem very fruitful in attempting to explain the size, scope, financing and development of the nonprofit sector. The virtue of the social origins approach over the other theories is that it does not look for a single-factor explanation. Instead the entire social and political context is taken into account. The role of religion and religiousness has been of such importance for the Dutch nonprofit sector that it cannot be overlooked.

Following the social origins approach would reveal the bourgeoisie (the higher and upper middle classes) as the dominant social class in the Netherlands. They were able to keep the power of the state under control since they constituted government at local as well as national level. Since its independence the country had lacked a strong power base for both monarchy and aristocracy. The formal division between state and church also shut out the clergy from state matters. So until the late 19th century the Netherlands was basically a bourgeois society, run by and for the burghers.

The development of the nonprofit sector until then reflects the importance of both bourgeois and religious activities. The early origins of the nonprofit sector lie in the activities of churches and monasteries in poor relief, education and health care. Most of the 18th and 19th-century initiatives came from the enlightened bourgeoisie. They created, for instance, orphanages, retirement homes, the *Nut*, hospitals and social housing organizations.

The bourgeois boat was rocked by two separate, strong waves: pillarization and social democracy. Pillarization put churches and religiousness back into central focus. Through pillarization the Catholic and (orthodox) Calvinist minorities achieved full citizenship. It also alleviated the conflict between capital and labour, between the haves and the have-nots, through the vertical association cutting through social classes. For instance, confessional trade unions appeared alongside socialist unions. An important offshoot of pillarization was the creation of associations in many areas of social life, such as schools, newspapers, trade unions, hospitals, political parties, sports clubs, etc, notably by the Catholics and, to a lesser extent, the orthodox Calvinists.

The second exogenous shock was the rise of social democracy which put the 'social question' firmly at the centre of attention, ultimately resulting in the creation or extension of social security arrangements and welfare services. The confessional and liberal powers that prevailed obstructed state solutions to the social issues. Instead a private, non-

governmental response was preferred. Industrial relations, including workers' insurance, were left to trade associations. These were corporatist structures representing both employers' organizations and trade unions. The extension of the welfare state occurred through existing nonprofit agencies, not state agencies.

The corporatist structure of social security and the provision of welfare services through non-governmental agencies had a clear impact on both the state and the nonprofit sector. The growth of the state was checked as nonprofit employment and expenditures grew as a result of the extension of welfare services. The existing public-private partnership was strengthened as the nonprofits active in welfare services obtained most of their resources from public or government funds. The end result for the Dutch nonprofit sector is thus a heavy reliance on public funding (now accounting for over half its income), the dominance of welfare services (90% of employment), and constituting a significant part of the Dutch economy (12% of total employment).

3 POLICY ANALYSIS

3.1 The policy environment of the sector

3.1.1 Political acceptance

With respect to the policy environment it is useful to divide the nonprofit sector in two components. One part – roughly the seven 'other' ICNPO groups in table 8 in Section 2.2 – is made up of organizations that are mostly active in member-serving (sports, recreation), religious, political, advocacy, public awareness or promotional activities. The organization are seldom completely dependent on government and government does not have to rely on these organizations for the implementation of public policy. If organizations are directly related to politics, it is more on the input side (parties, pressure groups) than on the output side of the political system. Government regulations and funding do exist, and funding is quite substantial in some areas such as development aid NGOs and accommodation for amateur sports and the performing arts. But public support remains primarily facilitating and the nonprofit organizations derive their identity from their membership base or their philosophy of life or political ideology, and they stress their independence of government and their position in 'civil society' (cf. Section 3.1.2).

The other part consists of welfare services delivered by nonprofits in which government has an interest in the availability and the funding. This mainly relates to education, health care and social services. Some cultural activities also fall into this category and social housing used to belong there. These services are usually heavily regulated. Often government has an influence on quantities and prices. As a consequence, nonprofits in these areas are vulnerable to changes in government posture and legislation. Government policy is of particular importance to nonprofits active in education, health care and social services. In these areas the largest part of the services is delivered by nonprofits, but largely funded by government and third-party payments. Government sets the main rules for the entire field, particularly with respect to capacities and costs. The feature of shared responsibilities has not been derived from some sort of master plan. It developed over time as the result of a gradual and incremental process. It is now based on a long tradition of private initiatives, the aversion to centralist policies and the dominance of confessional parties in twentieth-century government. Subsidiarity has become the guiding political principle behind these government policies.

Confessional parties have traditionally had a preference for nonprofits over state agencies in providing social services. These parties dominated government in the twentieth century. Today, their role is smaller but this is unlikely to have a major impact on the government stance on nonprofits. In theory, there are significant differences between the three main political parties with respect to their posture toward private nonprofit organizations. One could say that the three parties each show a particular preference for the state, the market or the nonprofit sector. However, in practice these preferences are not always clear-cut and rarely work out adversely for the nonprofit organizations. Today, the differences in posture between the parties are not very pronounced, since most parties have become rather pragmatic on these issues.

The party that is most favourable to private nonprofits is the Christian-democratic party (CDA). They are seen as the champions of 'private initiative' and the 'societal midfield' (cf. Introduction) and the remaining pillarized organizations as we have outlined in our Definitions Paper. The party came about from the merger of the three major confessional parties, one Catholic and two Protestant. The concept of voluntary and intermediary organizations has a prominent place in both Protestant and Catholic ideology. Both religious currents had a strong preference for subsidiarity.

The liberal-conservative party (VVD) is usually in favour of leaving or giving things to the 'market'. They do not have a clear anti-nonprofit policy, but strongly favour a clear division of responsibilities. On occasions they support nonprofit options because of their private nature, and on occasions they object to public-private mixtures. This party does have a clear stance against government involvement. One of the few exceptions to this rule is the solid backing of public (i.e. state) education in favour of private education.

The social-democratic party (PvdA) generally has a pro-government posture, though in practice they rarely put their principles to work. The centralist wing never dominated the party. Instead the social democrats opted for functional decentralisation, leaving much room for the influence of local governments and private nonprofit organizations. In the immediate post-war period they built the corporatist foundations of society with the Catholic party. In their recent coalition with the VVD and the small social-liberal party D66, they increasingly adopted market solutions.

The overall posture of government towards nonprofits is difficult to qualify, because the (legal) status of nonprofit organizations is not much of an issue. Usually the stance towards nonprofits depends more on their field of activity or, to be precise, on the government stance towards that particular field of activity, than on their legal status. In principle the government stance on nonprofits is currently neutral. Generally, nonprofits in a certain field receive the same treatment as government agencies. Some would argue that the neutral or equal treatment is in itself already evidence of a positive government attitude. What is definitely positive is the fact that quite a few nonprofits receive financial support from public sources. (Note that the financial support usually depends on the activities of nonprofits and not on the nonprofit nature of the organizations.) Thus, we qualify the government stance on nonprofits as being between neutral and positive.

3.1.2 Intermediaries

Government policy has certainly had an influence on the nonprofit sector. On the other hand, nonprofits have also had an impact on government. Nonprofits have been very important in both shaping and implementing policies. Decision-making in the Netherlands has been characterised as a corporatist consensus model. The nonprofits have been very influential in the areas of social security, health care, education and social services. In all these areas policy was adopted after voluntary or mandatory discussions with interest groups. In these discussions the private organizations actively help to shape government policy while not forgetting to protect their positions and interests. Some have claimed that the non-governmental organizations have had too

much influence and power. Over the last decade government has tried to adopt a more central and steering role in order to control the costs.

During the immediate post-war years the emphasis lay on government/nonprofit sector relations (societal midfield). Due to depillarization and individualisation, the focus shifted from the intermediary midfield organizations to more direct relations with the citizens. Another consequence of government posture and depillarization was the transformation of the (national) umbrella organizations from a pillarized to a functional structure. At first they were organised along pillarized lines, just as society was. Depillarization and the changes in government posture led to a different organization structure, with the pillarized lines of organization being largely substituted with functional lines. For instance, in social work there is now a single umbrella organization for employers (VOG) and a single institute for field-wide training and consultancy (NIZW).

Traditionally the organizations involved represented employers and employees, like a proper corporatist model. In recent years more attention has been given to enabling clients and consumers to have their say as well. Recently the term 'polder model' has frequently been used to describe the corporatist set-up in socio-economic affairs. Whereas a decade or so earlier the same set-up was criticized for being rigid, out of date and adverse to change, somewhat reminiscent of Mancur Olson's sclerosis, it is now hailed as a modern, swinging response to the new challenges of the 21st century, in particular with respect to keeping the welfare state affordable, investments and employment rising and wage increases moderate.

In contrast to some other countries, the Netherlands does not have a single organization representing the entire nonprofit sector. This may be the result of the weak sector-wide awareness and the segmentation of orientations and policies. Thus there is no Dutch equivalent of the National Council of Voluntary Organizations in the UK, the Federal Council of Free Welfare Associations in Germany, or the Council on Foundations in the USA. National umbrella organizations do exist for the separate fields of activity. Their number has been reduced over the last decades, but they are still present and very active. Twenty years ago there were about 400 advisory bodies to government. Some 2,700 persons were involved and 800 private organizations were represented. Government adopted a policy to restrict the number of advisory bodies by merging or dissolving them, and a decade later less than half the number of advisory bodies had survived. On the whole, the policy infrastructure is well developed and by no means deficient. Umbrella organizations generally have ample opportunities to get their points across either within or outside formal consultation structures. We believe that most policymakers and nonprofit representatives would label the policy organizational structure as adequate.

3.1.3 From 'societal midfield' to 'civil society'

The term 'civil society', which is rarely translated into Dutch, was introduced in the Netherlands in the first half of the 1990s. The introduction was probably somewhat later than in neighbouring countries because there was already a strong national vocabulary to discuss the social and political significance of the private nonprofit sector. The rediscovery of the civil society in Western political thinking is linked to its emergence as a concept of opposition among Eastern European dissidents during the 1970s and 1980s. Although the term derives a great deal of its glamour from this, its positive reception in the Netherlands and elsewhere in the West must nevertheless be seen primarily in the light of domestic concerns about decreasing voluntary engagement of citizens in matters related to the general interest, and the bureaucratization and commercialization of social life. More positively formulated, the concept became popular in the search for alternatives to the state and the market as dominant means of social regulation. Strengthening the civil society could contribute to a deepening and revitalization of political democracy, a recovery or strengthening of social cohesion, and possibly also an increase in the effectiveness of government policy.

To some extent, and with different emphases, these are themes that could have been discussed in the tradition of earlier Dutch debates about the societal midfield (cf. Introduction). However, the civil society discourse has become more popular for two reasons. The first reason for preferring the English term is that it is ideologically neutral in the Dutch context in the sense that it has fewer party-political connotations and is less associated with vested interests. The societal midfield terminology had become strongly associated with the confessional political mass parties and its backing in the 'private initiative' establishment in the boards of schools, hospitals, welfare agencies and umbrella organizations. For many people 'societal midfield' had come to equal a lack of democracy, favouritism and obscure politics. In the 1990s even proponents of the Christian Democratic Party (CDA) started to use the term civil society as a neutral substitute for the ideologically charged term. The second reason for its popularity is that, although the new term still has a variety of meanings, it redirects the discussion about nonprofit organizations from administrative issues back to social phenomena of general interest. The debates no longer centre on the old 'vertical' intermediary functions of the organizations between the citizen and the state, but on the 'horizontal' relationships between citizens - discussions about social capital and trust – and on the contributions of organizations in the advancement of public discourse and the maintenance of the public sphere (Dekker and Van den Broek, 1998). The shift in public interest from societal midfield to civil society spotlights membership organizations, the 'secondary' face-to-face organizations that are the heart of club life and local communities, as well as the 'tertiary' mailing-list organizations that are active as pressure and advocacy groups at national and international level. As a consequence, the economic centres of gravity of the Dutch nonprofit sector (education, health care, social services) receive less attention than before.

At the end of the 20th century – several years after the defeat of the CDA in the 1994 elections and the formation of a coalition government of right and left-wing liberals and social democrats – the midfield terminology seemed to be experiencing a comeback, often with attributes such as 'new' and 'modern'. The Christian Democrats are seeking

to recapture their lead in the discussion about the future of the welfare state by presenting new regulatory ideas for nonprofit private initiative – now called 'societal enterprises' – and strengthening a societal midfield that includes patient groups, environmental organizations, etc. (Dekker 2001). The Green Left and parts of the Social Democratic Party sympathize with 'communitarian' ideas of this kind, but it is more a topic of ideological debate than practical politics, and for the time being the individualizing transformation of the welfare state under social-liberal hegemony seems te be without an alternative.

3.2 Government policies

3.2.1 Support

Government support for nonprofit organizations is fairly extensive. Again this depends more on the field of activity than on the nonprofit legal status of the organizations. If we consider direct subsidies, grants, etc. as government support, then about 30% of the nonprofit sector's revenues come from that source. If we apply a broader definition of government support that also includes quasi-government and collective payments, such as the third-party payments in health care and social services, the share in revenues rises to about 60%. In any case, public support for the nonprofit sector is substantial.

The fundamental reason for supporting nonprofits lies in the deep-rooted conviction that government should not do everything by itself. There is a long tradition of private initiatives and a strong aversion to centralistic state policies in the Netherlands dating back at least to the sixteenth century. The basic stance towards new social challenges in providing education, health care and social services was to leave as much as possible to the private sector. The social security and welfare state arrangements provide evidence of the major role for private nonprofits. In the first half of the 20th century social security was completely in the hands of employers and workers. Health and welfare services were mainly delivered by private institutions. Education was strongly affected by pillarization, resulting in many private schools. After the Second World War the extension of these services and the growth of the welfare state was largely channelled through the existing private and often pillarized nonprofits. In recent decades the government policies of cutbacks, deregulation and privatisation provide evidence of the desire for a meaner government and a larger private (though not necessarily nonprofit) sector.

While the attitude of government has not changed much, the reasons for leaving things to the private sector have changed somewhat. At the end of the nineteenth century and the beginning of the twentieth century the basic view was that people should sort things out for themselves and should not turn to government. The principle of subsidiarity seemed to be the guiding light in these years. Today, at the start of the 21st century, it seems that government's position is to stay as 'slim' as possible and to leave many things to the market. Whereas in the early days government actively helped to find nonprofit solutions, nowadays a for-profit option seems to find more favour.

Government support takes several different forms. Firstly there are statutory payments, i.e. payments mandated by law. Examples of this kind of government support are

homes for the elderly and private education. The amount and form of support for organizations in these fields are written down in law. Secondly, there are grants, subsidies and contracts which are direct contributions by government to nonprofit organizations in support of specific activities. Examples of nonprofit organizations that receive this kind of government support are museums, sports clubs, political parties, etc.

Thirdly, there are certain health insurance payments which can be regarded as indirect government payments. Up to a certain income people are obliged to insure themselves through a compulsory state health insurance fund (*ziekenfonds*). If their earnings are above this threshold, they must buy their health insurance from a commercial insurance company. No matter where they take out their insurance, each person has to pay for a set of 'special sickness costs' which can be regarded as a quasi-tax. These contributions go into a fund that pays institutions for their services (examples are nursing homes, family care, mental health care and care for the disabled). In addition to the indirect government payments resulting from this quasi-tax, we have also included health payments from the compulsory health insurance funds and commercial insurance companies as third-party payments. Of course these payments cannot be considered as government payments.

Fourthly, there are tax benefits (cf. Section 1.2). In general, nonprofits are exempt from corporation tax, unless they generate profits from commercial activities. Nonprofits are usually also exempt from value added tax (VAT). The delivery of a number of specific services by nonprofit organizations are exempt from VAT; these services include health care, social work, sports, culture, radio and televison, education and fundraising. The list covers more or less the entire nonprofit sector, so in practice nearly all nonprofits need not pay VAT. Donations by individuals and companies are deductable from personal income tax up to a certain maximum (10% of gross income) or corporation tax (maximum 6% of taxable profit). Nonprofit organizations that serve a public interest, such as churches, philanthropic, cultural and scientific institutions, are entitled to more favourable tax treatment of gift and death duties. The normal rate is 41-68%, depending on the amount of the gift or legacy; nonprofits serving a general cause are subject to a much lower rate of 11%.

From the data we reported on the revenues of the Dutch nonprofit sector we can derive that about 14% of public sector revenues relate to grants/contracts, 40% to statutory payments and 46% to third-party payments. If we recall that third-party payments also include non-governmental contributions, we can safely conclude that statutory payments are the most important form of government support.

3.2.2 Recent policies of disengagement

Recent decades have seen some important changes in government itself that have had a major impact on nonprofit organizations. These changes include decentralisation, cutbacks, deregulation and privatisation. Each of these changes affected the nonprofit sector in a different way. Decentralisation, or the shift of competences and responsibilities from central to local government, not only led to a decrease in the influence of national umbrella organizations but in many cases also to their disappearance. Cutbacks resulted in declining levels of government funding of

nonprofits. In turn, diminishing government funding stimulated voluntary and also some involuntary mergers. In addition to the decline in subsidies, the conditions for government funding became more stringent. Less direct government support prompted nonprofits to look increasingly for other sources of income, mainly from the market. Thus, professionalisation and commercialisation can be seen as a result of changes in government policies.

These developments in government policy dealt a serious blow to the nonprofit sector. The consultative function of umbrella organizations at national level more or less disappeared in some cases. Many nonprofit organizations felt the need or were forced to reorganise, professionalise, merge or commercialise due to the decreasing levels of government funding. In addition, deregulation meant the end of the nonprofit monopoly in certain areas and gave newcomers the opportunity to enter domains previously dominated by nonprofits. In contrast to the former issues, privatisation stimulated nonprofit activity. The term 'privatisation' is often associated with the private commercial sector, and the best-known example of privatisation is postal and telecommunications services. Perhaps less well known is the fact that many other agencies were pushed off to the private nonprofit sector, for instance in health care and housing. Some notable examples of government agencies that moved to the nonprofit area are municipal housing organizations, government health care institutions and some state museums.

The government policy of cutting back led to less direct government support, stricter rules for government funding and more business-like forms of government financing. Many nonprofit organizations received less direct government support. Some organizations, such as the Consumer Association, lost their subsidy completely. Churches lost their privilege of not having to pay for their outgoing mail. Co-financing of private international aid organizations was placed under scrutiny. Stricter criteria concerning the minimum number of pupils were introduced for primary and secondary schools. Patterns of support also changed; the shift from input to output financing was one of the most notable changes, for instance in higher education, and output financing is likely to grow in importance in the coming years. The redistributing role of nonprofits decreased. In some cases government support goes directly to the citizens, for instance housing benefit, and is no longer paid through nonprofit organizations. A relatively new development is the practice of inviting tenders for certain social services and social security arrangements.

3.2.3 Encouragement of competition and commercialisation

Cost-effectiveness of the main social welfare services has been a central concern for governments for many years now. Ever since the crisis of the welfare state policies of cutbacks, deregulation and privatisation have been adopted to further this end. The latest policy in the same vein is the 'market forces' policy. This policy is being applied in areas dominated by nonprofits such as social services, health care and housing, but also in areas of social security where nonprofits play a minor role.

As a result, the importance of market revenues, market activities and business-like management practices in the nonprofit sector is growing. The distinction between nonprofit agencies and commercial enterprises may be more difficult to make in the immediate future. There is also the possibility that certain types of nonprofit organizations will move completely to the market sector and transform into corporations. Provided they are successful enough with their commercial activities, it is not inconceivable that some nonprofits in housing and health care will relish the opportunity to perform on the free market.

The market policy approach actively encourages competition between nonprofits. In addition to this (internal) competition, nonprofits also have to face competition from for-profit organisations in a number of fields. In health care, for example, some commercial initiatives came into the open: private hospitals/surgeon clinics, family care, homes for the elderly. Housing is another field where competition from commercial players is likely to increase. The reason is that nonprofit social housing organizations are increasingly operating on a commercial basis and find themselves face to face with established commercial players.

In addition to the examples already given in the fields of health care and housing, competition has also found its way into the area of social work. The recent history of social work provides a fine illustration of policy changes. Today most social work is provided by local nonprofits that are financed by local government. These nonprofits usually offer a broad range of activities (day care, youth welfare, general social work, socio-cultural work, work with minorities, activity programmes, etc.) combined in a single organization. Many of them came into existence some 10 years ago after (not always voluntary) mergers between organizations geared towards specific activities, for instance only day care, or only care for the elderly. The broad social work organizations have a close relationship with their financier and commissioner, local government. The introduction of competition in this field gives local authorities the opportunity to redefine their relationships with the broad organizations. Contracting is the main form by which local authorities encourage competition between providers. A contract can be put out to tender for a single service or even the whole range of activities. Local organization then have to submit a tender in order to keep the work; other organizations are also invited to tender for the contracts. Competition comes from nonprofits from other parts of the town/country and from commercial providers. At the moment this practice is not widespread as many municipalities prefer to hang on to their local providers. Competition has only recently been introduced and is still in its infancy. The likelihood is that this is only the first step towards more competition and more emphasis on market forces.

Due to the fall in financial support from the government, nonprofit organizations are increasingly charging fees for their services where revenues can be expected (education, kindergarten services, etc.). These revenues are then used to finance activities for which there is no possibility of charging fees. Since the traditional nonprofits are now charging fees, there is a growing trend for commercial enterprises to enter the market, offering the same services, thus creating competition. Nonprofits are also developing services that were formerly rendered mainly by commercial corporations. This may lead to disputes regarding fair competition. The phenomenon of subsidy by contract also seems to be gaining ground. There are strong arguments that this form of subsidy is a transaction that under EU-law is subject to the rule of public tender. This implies that

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commercial enterprises can also compete with nonprofits. In several fields, commercialization is actively promoted by government policy.

3.2.4 Developments in specific fields

The general policy position and the amount and form of public support are not the same for each field of nonprofit action. In fact, the policy environment varies significantly from field to field. Earlier the nonprofit sector was divided into two components: one heavily regulated part that consists mainly of health care, education, welfare and social housing – the activities which make up the largest part of the nonprofit sector – and one consisting of relatively policy-free activities; for example, nonprofits active in advocacy, sports, recreation, and religion are less affected by government policies.

We will now give a few examples of some salient variations in the policy environment between specific fields of nonprofit action: primary education, social housing and environmental advocacy. The first two clearly fall within the first component of the nonprofit sector. Nonprofits in both primary education and social housing face a rich, yet very distinctive policy environment. Government support to nonprofits in primary education has a firm legal anchor in the Constitution. Despite depillarization, the field is still dominated by confessional nonprofits. In contrast to social housing, government will continue its financial commitment to this field. Lower levels of government support are not the only interesting development in social housing. This field is also dominated by nonprofits and government subsidies also have a statutory (though not constitutional) basis. A clear difference with primary education concerns the government position. The government is pulling out of social housing, a fact borne out by the decrease in the level of support and by the fact that the government is disposing of its agencies in this field. For environmental nonprofits, the policy framework is completely different; more than the other nonprofits, they find themselves in a role which opposes that of government. The government support they receive is usually incidental rather than structural.

Primary education

Primary education is often seen as a main government task. Yet in the Netherlands two-thirds of all pupils attend classes at private primary schools. The main government task is in fact to pay for public as well as for private education. The scheme of public financing and private delivery is not uncommon in the Netherlands; it also applies to other sub-fields of the nonprofit sector such as health care and social services. Poor relief was the first area in which this scheme was (partly) applied, though education was the first area in which private delivery coincided with full public funding. Equal financial treatment for private and public education was one of the first major accomplishments of pillarization. Its importance is underlined by the fact that the right to equal financial treatment has been given a place in the Constitution. As a consequence, the public funding of private education has a strong legal base. Statutory payments thus ensure the viability of nonprofit schools. The other side of the government's warm embrace concerns the numerous regulations that accompany the financial support. Most of these regulations relate to inputs, and deal primarily with matters such as teachers' salaries and qualifications, working conditions, mandatory subjects and parent, pupil and staff participation in decision-making. In recent years, some regulations

have become stricter; for instance, schools must have a certain minimum number of pupils. Recently, government has also become more keen on the issue of educational quality. On the one hand, the last few years have shown a trend towards more organizational independence for schools. The autonomy of private schools in financial matters has increased and will probably increase further (Janssen, 1995: 68; Kreuzen 1995: 74).

Confessional schools dominate private education, accounting for about 85% of primary nonprofit schools. There is a gap between the orientation of the schools and teaching practices and the origin and religious affiliation of the pupils; depillarization and secularisation have left their mark on primary schools as well. The pupils at confessional schools do not all have the same religious background, and teaching practices in the majority of confessional schools are not exclusively restricted to the school's denomination. The increased diversity in Dutch society is thus also reflected in the education system.

A recent and interesting issue is the fact that public schools have the option of choosing private law status. Also, a mix of both public and private schools under the supervision of a private board has become a reality. This would of course be another factor in the continuing blurring of the differences between private and public schools.

Social housing

The attitude of the government in the field of social housing is not very different from its general stance. As with education, a law marked the start of strong government support for social housing. In addition, it marked the start of a long-lasting private-public partnership in the field. The 1901 Social Housing Act secured quality standards for new homes and offered a legal basis for providing financial aid to private nonprofits in the field of social housing. Again, the government felt it should not do everything itself, and instead invited nonprofits to provide housing for low incomes.

In the last few years two major developments have occurred: changes in forms of government support and changes in the legal status of government social housing organizations. The focal point of government support shifted from the objects, i.e. the homes, to the subjects, i.e. the tenants. In its aim of cutting expenditure, the government has ceased subsidising the construction of new homes by social housing organizations, and redeemed its current and future obligations to the housing associations in 1995. The bulk of the NLG 35 billion involved was used to repay government loans. As a result, housing associations will probably need to raise rents. These increases will be offset through individual housing benefit. The tenant subsidies already exist, but they are likely to grow in importance over the coming years. The emphasis in the providing of support has thus changed from the physical objects to the occupants. Nonprofit housing associations will receive fewer subsidies, run greater risks when building new homes, and may increasingly feel compelled to operate along commercial lines.

Another important change concerns the status of government housing associations. In line with the general policy of deregulation and privatisation the government decided in the late 1980s to dissolve the government social housing organizations, which were

all owned and managed by local authorities. The organizations had to choose between merging with a private nonprofit, selling their housing stock to a nonprofit, or transforming into a nonprofit. In 1990 there were over 200 governmental housing agencies, which managed over 300,000 homes. In 1995 no more than 69 were left and the number of dwellings they controlled had declined sharply to about 30,000. As a result, the number and assets of nonprofit housing associations has increased over recent years.

Environmental organizations

The relationship between the government and environmental organizations is somewhat different from other types of nonprofits. The government and the nonprofits in this field often find themselves in situations of conflict and cooperation. One day they are adversaries, the next they are allies. The cooperation takes the form of consultation procedures, seats in advisory committees, and partnerships in information campaigns. Conflicts arise when environmental issues collide with economic interests, plans for building sites, infrastructure, etc. These issues also divide government agencies. Nonprofits find the Ministry of Housing, Spatial Planning and the Environment to be much more open to their views than other ministries, such as the Ministry of Transport, Public Works and Water Management, the Ministry of Agriculture, Nature Management and Fisheries and the Ministry of Economic Affairs.

The main form of government support is direct subsidies to individual organizations, sometimes on the basis of the number of members. Another form of support consists of subsidies for specific types of services or activities. For instance, the environment ministry subsidised a telephone information line on environmental issues run by a large activist organization. The issue of subsidies also reflects the dualistic relationship between the state and environmental organizations. Last year Parliament raised the question of whether organizations that often work against government should be supported.

3.3 Prospects and options

3.3.1 Autonomy, accountability and identity

Reviewing the nonprofit sector's policy position and recent trends, we see a number of dilemmas and challenges for policy-makers, managers and other interested parties inside and outside the sector. Questions of the autonomy and identity of the sector deserve special attention in the years ahead.

The scheme of public funding and private delivery creates a dilemma between autonomy and public accountability. Since nonprofits perform public tasks with public money they are subject to some form of public accountability. On the other hand, nonprofits are private independent organizations that strive for autonomy in spite of the regulations. If they fail to achieve this they will be smothered and turned into another executive arm of government. The question now is in which direction the pendulum is swinging: towards tighter government controls or towards greater private autonomy. Current developments tend to favour a greater degree of autonomy. This certainly implies certain risks. When things go wrong, all eyes usually turn to government to remedy the

situation, even when government no longer has the authority to act. A situation of political responsibility without formal authority is not unlikely and not enviable.

The dilemma is being met by two main responses that have still to prove their worth: contracting and 'social entrepreneurship'. Contracting, farming out or outsourcing is a way of keeping control over the quantity and quality of services without actually providing them. A sense of (public) responsibility and accountability within the private organizations themselves is the key to 'social entrepreneurship'. The term's meaning is often unclear. The fact that it is used by both nonprofits and for-profits does not help to clear up the confusion. When used by a commercial enterprise it usually means that the firm claims to show some social responsibility for matters like the environment, human rights, its employees or the local community. Nonprofits often use the term to indicate their dedication to the public nonprofit cause, despite their sometimes blatant commercial activities.

Where public means are used to finance nonprofits and thus the services they render to the public, it is considered normal and logical that the government should have the right to set rules and issue instructions with regard to the quality of the services and reporting requirements vis-à-vis the government. In the last decade, however, a pattern has emerged whereby governments at all levels treat subsidized nonprofits as part of the public administration. This is demonstrated for example by the fact that the government forces subsidized nonprofits to cooperate or merge in order to create one service point, or in order to achieve administrative convenience. The trend towards devolution of responsibilities on many public policy issues together with the budgetary means to realize such policy, has strongly added to this effect. Governments at a lower level appear to be more keen to act and more intrusive in the conduct of the affairs of subsidized nonprofit than central government. Of course the effects are dramatic not only for the diversity in the sector, but also for the quality of the services they can provide and the problems of scale that arise within organizations. This is especially true for organizations that provide services which depend heavily on the human measure of the environment in which the services are provided.²⁶

Another, related development is the fact that the government, as part of the process of executing plans to privatize certain public tasks such as education, which have traditionally been performed by NGOs, is establishing private law foundations. Thus the government is actively using the form of a civil law foundation to perform its own public tasks. This raises many questions, especially regarding the democratic control over such institutions and issues of adequate legal procedures to assist 'clients' and interested parties of such institutions in protecting their rights and interests.

3.3.2 The European challenge

The reality of the European Union and the increasing interdependence of the member states will also have an impact on the nonprofit sector.

²⁶ At present research is needed to evaluate the consequences of this public policy; its logic and admissibility in the light of fundamental rights that apply to legal as well as natural persons has become a topic of public debate and legal research (cf. Balkenende and Van der Ploeg, 1999).

The background of the response to the European challenge is likely to differ between the various fields. In some areas, nonprofits will engage in voluntary transnational cooperation in order to strengthen their position and augment their impact. In other cases, pressure arising from European harmonisation will induce less voluntary changes. In some areas transnational partnerships are being built, for instance in international assistance. Another example relates to the increasing cooperation between hospitals in border regions.

Changes in the country's social policies will affect nonprofits active in the provision of welfare services. The approach of European Monetary Union not only increases the pressure on further convergence of economic and fiscal polices – for instance, grantmaking foundations in the Netherlands perceive their tax treatment as favourable in comparison to many other European countries, and fiscal harmonisation may put an end to their favourable situation – but also makes the harmonisation of social policies the focus of attention.

Health care is one of the fields most likely to be affected by European legislation. Publications from experts on European law and recent verdicts from the European Courts have called the long-term tenability of national health care arrangements into question. Awareness is growing in the field that the crucial questions on funding and regulating healthcare are moving from the national towards the European arena.

The matters that have relevance for the Netherlands stem directly from the single market doctrine. They concern freedom of consumer choice and open competition between health care providers. The European Court recently ruled in two cases where the Luxemburger Decker and Kohll had purchased medical care in another country without prior permission from the health insurer. The Court ruled that in the single European market, with freedom of movement of goods and services, consumers should be free to choose where and from whom to buy medical services. As long as the purchases abroad do not exceed the normal amount for a similar service in the home country, the insurer cannot refuse to reimburse the costs. The current stance of the Dutch government is that because of the differences between the arrangements in Luxemburg and the Netherlands (restitution versus in-kind system) the Court rulings have little impact on the Netherlands. In the Dutch system consumers generally claim the costs of medical care from their insurer. The insurers buy treatment from health care providers and deal with the payments, and the provider is therefore chosen by the insurers, not the consumer. The question still remains of whether Dutch consumers have sufficient freedom of choice if the only choice they have is to choose their insurer.

Another issue concerns the treatment of health care providers. The basic question is whether they should be seen as economic enterprises and therefore be subject to the European competition rules. This is still a matter of debate. Usually the legal experts point to the current practice, which in their view contradicts the single market rules. If this view is accepted, it would precipitate major changes in the national health care arrangements. Although health care and social care arrangements are still seen as the domain of the national states, the longer-term prospects certainly envisage an European component in terms of compliance with European rules. Instead of waiting for induced

legislation from the European Court by consumers or other interested parties, the option of active anticipation would seem more sensible.

The (possible) friction between European rules and national arrangements not only exists in health care, but in other fields as well. It is likely to occur in fields that also show the characteristic strong intertwining of the public and private (nonprofit) sector, which as we have seen usually takes the form of public funding and private delivery. In general, arrangements that are clearly neither plain public nor obviously private are vulnerable to European attention. The question arises of whether these typical hybrid arrangements will survive European scrutiny. Broadcasting may serve as an example of a hybrid arrangement. Public television in the Netherlands is basically provided by nonprofits. These nonprofits are associations and most of them have their roots in pillarization. The original religious and ideological backgrounds have become less important, however; nowadays the organizations have to compete for public attention and sometimes it is hard to see any difference between them and the commercial broadcasting companies. The nonprofits in the public system are allotted public money and broadcasting time according to their respective number of members. This arrangement is neither public nor commercial, although the nonprofit broadcasters raise money from commercial activities. The question is whether the arrangement will stand up to European competition rules. Attention will focus on monopolising the public network and subsidies to private (nonprofit) providers. The existing commercial broadcasters are probably waiting to put the matter to the test as soon as they can.

The formation of the EU is also likely o have an impact on the functioning of the nonprofit umbrella organizations in the Netherlands. The relationship between the government and NGOs at national level can be characterized as a consultancy model, with the government and the umbrella organizations together playing an important role in constituting government policy. In recent politics, however, less value is ascribed to such consultation. In addition, with the formation of the EU many issues formerly decided at national level are now decided in Brussels. It is uncertain at present, what effect this change will have on the functioning of the umbrella organizations. An interesting option for EU umbrella organizations will be the European association as a legal form for cooperation. The law with on European associations is, however, still in development. On the other hand, the number and impact of special interest organizations has increased, in particular through court proceedings (collective action) against the government to enforce the law and fundamental rights as guaranteed under the European Convention on Human Rights.

3.3.1 The coming dissolution of the sector?

As regards the welfare state part of the sector, it will become harder to draw a line between nonprofits and other organizations. In most areas, it is still possible to distinguish nonprofit organizations that are rooted in the old private initiatives, from the independent public bodies, PGOs (para-government organizations) and quangos (quasi-autonomous non-government organizations) that have been established by the government in recent decades. But if reorganization and privatization continue in the directions set out in the 1980s and 1990s – with further mergers and loss of identity of the old private initiative, increasing independence of public agencies, and unifying

professionalisation, marketing and management trends – the result will be big clusters of service-delivering organizations, in which making a distinction between public, for-profit and nonprofit elements becomes more complicated and in many respects less relevant. However, an important source of tensions and political debate in this hybrid world might be the rather strict rules of competition law and of public tender in the European Union.

The distinction between nonprofit and public agencies has not always been very clear in the publicly funded and regulated welfare services such as education, health care and social services. Naturally, the regulations that accompanied public funding made the private organizations more similar to their public sector counterparts. But there are also other forces at work. In their study on what differentiates nonprofit from government agencies in the fields of primary education and social housing Hupe and Meijs (1999) found few substantial differences. Moreover, they found converging forces at work. They called upon the isomorphism approach of DiMaggio and Powell (1988) which explains why organizations look so similar. The approach states that homogenisation is largely effected by state rules and professionalisation. In addition to very similar aims, legal frameworks and finance structures, the convergence was also encouraged by the tendency to copy each other's practices and products.

It is not only government and nonprofit organizations that are converging. The same is also true for some nonprofits and for-profits active in the same field. The introduction of market forces into certain areas of major nonprofit activity and the spread of for-profit management practices has started another convergence process. This is already apparent in the field of social housing. With the disappearance of (local) government organizations and the ending of subsidies to nonprofits, the government has *de facto* left the stager as an active participant; its role is now limited to supervising the social function of the housing organizations. Nonprofits are left to fend for themselves, but still have the original target of providing sufficient affordable homes. In order to perform their social function nonprofits have two basic choices: either they engage in profitable activities or they sell some of their housing stock and use the proceeds for providing low-rent dwellings. If they engage in commercial activities they will find themselves in direct competition with established for-profit firms, and this will have an effect on the internal organization as well.

Two further examples of these trends must suffice here (for more examples, see Dekker 2001). Elementary schools are the first example. Since 1920, the Dutch Constitution has prescribed a dual system of public and private nonprofit education. In the classrooms most of the differences between the two types of school have already faded away due to secularization and converging professional standards, but in the 1990s a kind of amalgamation in governance began, with many municipalities trying to increase the administrative autonomy of public schools.

²⁷ Cf. the conclusion of Aquina (1988: 106) regarding 'PGOs': '...in the future the form and extent of PGOs will come to depend more closely on the features of the policy field in question rather than on the characteristics of the society at large. That is, the characteristics of individual goods and services may become more important in determining future institutional patterns than any general 'Dutch policy style' or overall political culture.'

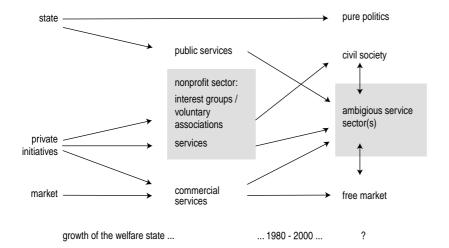
Since 1996 they have been able to opt for a status as independent bodies with a board made up of parents, or for full privatization in the form of a foundation. Since 1998 'partnership schools' offering public and private education have become more or less accepted, and in 2000 the government took steps to legalize the situation whereby the same school can offer public as well as private education. For some people this public-private mix is probably not acceptable, while for others it is acceptable only as an option for localities that are too small to have separate public and private schools, and yet others might see it is the next step in a desired trend towards a fusion of public and private into one system of semi-public autonomous schools.

The second example is home care. It was started by private initiatives and until the 1980s home nursing services were organized in special associations (*kruisverenigingen*), often several in each municipality depending on the local strength of the Catholic, Protestant and neutral 'pillars' (Section 1.1.3). The small home nursing associations have been merged with other facilities into large regional organizations (130 in the entire country) which are no longer accountable to their membership, but behave as ('social') enterprises, basically funded through social security resources. Their managers want to receive a salary and to operate like real managers in business, with commercial employment services for nurses and additional commercial services for clients being introduced as subsidiary companies, etc. At the moment there are a lot of complaints about the work of the home care organizations and attempts are being made to restrict them to the 'core business' of care, but in the long run it seems unlikely that the entry of full commercial enterprises to the home care market can (or should) be avoided.

In both examples ambiguous public/nonprofit and nonprofit-profit institutional clusters develop. A minor problem is whether the home nursing organizations still qualify – or the privatized public schools already qualify – for nonprofit status in the Johns Hopkins Comparative Nonprofit Sector Project. The real challenge is to discover the dynamics of the new organizations and their interrelationships, and to develop policy and management tools to get the best out of these postmodern private initiatives for their public purpose. In this perspective, 'sectors' of specific services and client groups deserve more attention than 'sectors' of organizations with similar institutional economic features. Figure 8 tries to map out the long-term trends of the nonprofit sector and the growth of a diffuse service delivery sector from it.

Boundaries between the public, nonprofit and market sectors will be harder to draw, and they will be less relevant for the dynamics of networks of organizations. The kind of services delivered, professional standards and features of the 'clientele' will probably become more important as perspectives of policy-making and research than the legal status and economic background of the organizations involved. Key policy issues such as quality control, financial accountability, user rights and the transparency of service clusters call for new regulations, which will often not differentiate between types of organization: professional standards will apply to employees wherever they work, patients will have rights wherever they are cured, insurance companies will adopt rules for the reimbursement of the costs of services wherever these are delivered, and the government will try to adjust entire volumes of services (budgetary politics) and individual consumption (basic services, vouchers) more than it will favour or handicap organizations.

Figure 8 Long-term developments of the Dutch nonprofit sector



The probabilities of fading borders around the nonprofit sector are also being discussed in other countries (cf. contributions in Anheier and Kendall 2001). The present situation gives rise to the strategic question of how to defend as much independent nonprofit territory as possible. There is reason to be sceptical about the way some allies of the non-profit sector have embraced the 'civil society' concept to give their interests a more sympathetic and appealing label. The concept might make sense as a framework for discussing the present state of membership organizations and voluntary action, elaborating the contribution of advocacy groups to democratic governance, the importance of associational life for the reproduction of society's social capital, etc. However, the concept is quite vague and needs a lot of clarification and specification before it can be used in research (cf. Dekker 1998). More important, it is potentially relevant mainly for the smaller, economically marginal organizations in the nonprofit sector in modern Western countries (the 'other groups' in Table 8).

The 'civil society' choice for the best of all worlds is probably not a very helpful guide for the renewal of nonprofit organisations. Supporters of the nonprofit sector often remain too focused on the nonprofit sector and its original aims: here and nowhere else the great dreams of voluntary involvement, citizenship and solidarity should come true. It might be better to recognize that major nonprofits have become part of huge semi-state and semi-commercial networks of provisions, and to generalize original nonprofit aims so that they apply to other organizations as well. Strategies to 'civilize' service-delivering institutions and make them more democratic, more responsive to client groups, or more supportive of local communities, should no longer be restricted to nonprofits. To come back to the example of elementary schools in the Netherlands: it may be regrettable that nonprofit schools have become bureaucratized, but is not it splendid that public schools are now adopting the nonprofit legacy of autonomy and parent participation? The question of whether nonprofit aims should be universalized to encompass the qualities of good institutions, public or private, or whether new

nonprofit 'private initiatives' of clients and patients should be set up as countervailing powers to bureaucratic/commercial services, is a question that can only be answered separately for the individual fields in the service industry.

4 CONCLUSION

The nonprofit sector thus emerges from the evidence presented here as both a sizeable and a rather complex set of institutions in Dutch society. Not only does this set of institutions serve important human needs, it also constitutes a major economic force and the infrastructure for social and political life.

The nonprofit sector in the Netherlands proves to be large. In fact, with its 12.9% share in nonagricultural employment it is the largest nonprofit sector in the group of 22 countries studied. The structure and financing of the sector show the dominance of collectively organized solidarity over private charity. The welfare services of health care, education and social services are the largest fields of nonprofit activity. Public sources of revenue account for 59% of the sector's income, while private fees and private giving account for 38% and 3%, respectively. In the Netherlands, the role of the nonprofit sector involves more than producing welfare state services alone. Its activities in culture, leisure, advocacy, international solidarity, environment, religion, philanthropy and volunteering also contribute to the creation of social bonds and democratic politics. The realm outside the welfare state services is the home of most civil society organizations. Public discourse, community-building and citizen participation are important, but difficult to isolate and measure.

The nonprofit sector's key features such as its size, structure and revenue base, are a clear reflection of its long and rich history: the tradition of private initiatives, pillarization, and the scheme of private delivery and public funding. Due to substantial government funding of these nonprofit organizations in combination with quality requirements set as conditions for this funding, the subsidized service-providing nonprofits have become heavily dependent on government funding. The sector is therefore very vulnerable to changes in public policies and support. In the years ahead nonprofits will struggle to find a new balance between sources of income. With public support under pressure, attention will shift to more market-generated income and private giving. Issues such as measurement and accounting, autonomy and accountability deserve due attention.

The nonprofit sector is a very important part of the Dutch economy, but its significance is not recognized in these terms. Nonprofits can roughly be divided into a 'welfare state' part and a 'civil society' part, similar to the pattern in other European countries (cf. Zimmer 2000). This contributes to the absence of a unitary understanding of the nonprofit sector. The mutual recognition of service-delivering agencies and citizens' associations as nonprofits may enhance processes of cooperation, and stimulate debates about the importance of being non-bureaucratic and non-commercial. However, it seems unlikely that this will result in the development of a stronger sector identity, generating community feelings among all the organizations that are statistically involved, and acknowledged by the public, politicians and researchers. The civil society discourse may be a kind of uniting force for organizations as diverse as soccer clubs, churches and Amnesty, but this will hardly affect the large service-providers.

There are strong tendencies, from depillarization (Section 1.1.5) to privatization (Section 3.2.3), that make the welfare state part of the Dutch nonprofit sector less and less visible as a separate component in society or in the economy. The hybridization of public and private and noncommercial and commercial service delivery (Section 3.3.3) may even make the nonprofit idea practically obsolete at the level of single organizations. In the Introduction we highlighted some of the problems in identifying organizations in the Dutch nonprofit sector according to the structural/ operational definition. In the coming decades this may become more difficult, if not impossible. Mergers of public and private schools into collaborative constructions, the combination of commercial and social tasks in housing associations and insurance companies, the inclusion of new commercial activities in hospitals, social welfare foundations that are searching for new markets and set up temporary job agencies, the overall internal modernization of old private initiatives into business-like organizations - all these developments will lead to the unfolding of a broad field of ambiguous servicedeliverers with primarily sectoral differences. The way in which existing service nonprofits respond to these trends and the civil society prospects of self-organisation processes among the clients of the new nonprofit-commercial hybrids, raise challenging questions for nonprofit research.

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